COMMON FUND FOR COMMODITIES

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QUALITATIVE AND QUANTITATIVE REHABILITATION OF COFFEE WITH THE AIM OF IMPROVING LIVING CONDITIONS OF COFFEE FARMERS AFFLICTED AND DISPLACED BY WAR (CFC/ICO/XX)

(To be financed under X)

APPRAISAL REPORT

PICTURE TO BE INSERTED

SECOND DRAFT

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XX 2011

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
CFC	Common Fund for Commodities
CPU	Coffee Processing Unit
CWD	Coffee Wilt Disease
DGDA	Direction Générale des Douanes et des Accises
DTIS	Diagnostic Trade Integration Study
EU	European Union
FEC	Fédération des Entreprises du Congo
GAP	Good Agricultural Practices
IACO	InterAfrican Coffee Organisation
ICO	International Coffee Organisation
INERA	Institut National de Recherche Agronomique
MDG	Millennium Development Goals
MINAGRI	Ministry of Agriculture, Fisheries and Livestock
OCC	Office Congolais de Contrôle
OGEFREM	Office de Gestion du Fret Maritime
ONATRA	Office National de Transport
ONC	Office National du Café
PARRSA	Projet d'Appui à la Réhabilitation et à la Relance du Secteur Agricole
PEA	Programme Executing Agency
PIA	Project Implementing Agency
SYDIP	Syndicat de Développement Intégré des Paysans
UNHCR	United Nations High Commissioner for Refugees
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs

I: Logical Framework

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
Goal:			
Contribute to the sustainable reduction of rural poverty in DRC through the revival of the national coffee sector	The project contributes to the following: - Annual coffee export revenues increase to a level of 150 M. US$ by 2015 (National DRC coffee strategy objective) - Annual DRC coffee exports increase to a level of 70 000 tons of green coffee by 2015 (National DRC coffee strategy objective) - The proportion of Congolese living on less than US$1/day in 2015 is reduced by half as compared as in 1990 (Millennium Development Objective 1.1)	CFC reports ICO reports UNDP reports IACO reports World Bank reports Official national statistics (ONC and Minagri)	Absence of global economic crises Continued support and involvement from national authorities Reasonable level of political stability in DRC and absence of armed conflict in Eastern DRC Absence of major climatic disruptions or natural disasters
Purpose:			
Improve sustainable livelihoods of coffee producers affected and/or displaced by war in the Eastern provinces of DRC (North-Kivu, and South-Kivu)	a) Coffee incomes of the targeted coffee farmers increase by at least 150% by the end of the project (average) b) An improvement in socio-economic conditions of the targeted coffee farmers is reported for at least 75% of the households (habitat improvement, household equipment, increased saving) c) Access to basic social services (health, education, water/sanitation) is improved for at least 75% of the targeted coffee farmers (questionnaires)	Baseline study and final external evaluation report Household questionnaires Regular programme monitoring reports UNHCR reports OCHA reports FAO reports WFP reports	Absence of global economic crises Continued support and involvement from national authorities Reasonable level of political stability in DRC and absence of armed conflict in Eastern DRC Absence of major climatic disruptions or natural disasters All the project partners cooperate efficiently and fulfil their obligations
Outputs:			
1. Productivity of the targeted coffee farms increase thanks to the introduction of improved varieties, regeneration of old plantations and adoption of good agricultural practices	Coffee yield of targeted coffee farms increase by at least 150% in year 4 to reach a level of 500 kgs of green coffee per ha (750 kgs/ha after year 6) At least 3 million improved varieties coffee plantlets (higher yield, disease resistance) are supplied to targeted coffee farmers by the end of the project At least 95% of the targeted coffee farmers receive support from specialised extension services on a regular basis (from year 2 onwards) At least 85% of the targeted coffee farmers adopt good agricultural practices (from year 2 onwards)	Baseline study and final external evaluation report Regular programme monitoring reports National statistics (MINAGRI and ONC)	Absence of global economic crises Continued support and involvement from national authorities Reasonable level of political stability in DRC and absence of armed conflict in Eastern DRC Absence of major climatic disruptions or natural disasters All the project partners cooperate efficiently and fulfil their obligations

2. Farm gate coffee price is improved through quality improvement and enhanced private/public local partnerships	At least 75% of the targeted coffee farmers benefit from a 10% premium on farm gate coffee sale prices as compared with farmers from other areas 100 % of the target areas benefit from a private/public partnership for coffee quality improvement At least 85% of the targeted coffee farmers have been sensitized to improved post harvest processing practices The production of fully washed coffee is pilot tested by supporting the installation of two ecological compact coffee washing stations Each ecological compact coffee washing station produce at least 36 tons of clean coffee per year (by the end of the project)	Baseline study and final external evaluation report Regular programme monitoring reports National statistics (MINAGRI and ONC)	Absence of global economic crises Continued support and involvement from national authorities Political stability in DRC and absence of armed conflict in Eastern DRC Absence of major climatic disruptions or natural disasters All the project partners cooperate efficiently and fulfil their obligations
3. The efficiency of the value chain is improved through better governance of the coffee sector	100% of the targeted areas benefit from a provincial multi-stakeholder committee meeting at least quarterly and addressing potential issues and identifying collective solutions at the local level (taxation, regulations, security, transportation etc.) The national coffee strategy follow up committee meets at least twice a year to discuss key national issues, sector reforms and coordinate efforts for the revival of the national coffee sector.	Minutes from the provincial and national meetings Attendance sheets from the meetings Regular programme monitoring reports	Continued support and involvement from national authorities All the project partners cooperate efficiently and fulfil their obligations
4. The programme is managed efficiently in a transparent and inclusive manner	A programme management unit is operational during the first quarter of the programme Financial, administrative, procurement and logistic procedures are operationalized during the first quarter of the programme Detailed annual workplans and budgets developed and implemented A M&E system is established and operationalized Reports (technical & financial including audit) are regularly sent to donors and programme partners in agreed formats Availability of annual auditor reports Programme supervised by ICO/CFC or their appointee Availability of base line study and external final evaluation reports	ICO/CFC reports Annual auditor reports Baseline study and external final evaluation reports Regular programme monitoring reports	Continued support and involvement from national authorities All the project partners cooperate efficiently and fulfil their obligations
Activities:			

A1 .1 Produce and distribute improved varieties coffee plantlets with tolerance/resistance to main diseases and high yield potential so as to regenerate and expand existing coffee plantations A 1.2 Support the adoption of good agricultural practices through the establishment of specialized coffee extension services A 1.3 Support the organization of coffee farmers into groups and build the capacity of these groups A 1.4 Equip cooperatives and farmers groups with appropriate tools and demonstration equipment	Estimated level of effort Budget for Component 1: US$ 795,306		
2.1 Establish private-public partnerships for quality improvement in each targeted area including value chain finance 2.2 Undertake capacity building on improved harvest, post harvest and processing practices 2.3 Equip cooperatives and farmers groups with drying tarpaulins, local drying mats, hand pulpers etc. 2.4 Support the installation and	Estimated level of effort Budget for Component 2: US$ 223,980		

pilot testing of ecological compact coffee washing stations for the production of fully washed coffee 2.5 Support the marketing of Congolese coffee in regional /international specialized events			
3.1 Organize meetings from the provincial coffee committees on a quarterly basis 3.2 Organize meetings from the national coffee committee on a bi-annual basis 3.3 Document key lessons learnt from the project and disseminate them at the national and international levels	Estimated level of effort Budget for Component 3: US$ 193,230		
4.1 Set up a Programme Management Unit 4.2 Establish administration and accounting procedures and provide training in these, and establish effective communication channels between PIAs and PEA. 4.3: Develop detailed annual work-plans and budgets 4.4: Provide technical support to PIAs and carry out effective co-ordination of the programme 4.5: Establish an effective monitoring and evaluation process 4.6: Prepare regular progress reports, a mid-term evaluation report,	Estimated level of effort Budget for Component 4: US$ 151,780		

annual accounts, audits and programme completion report for each country 4.7: Organize ICO/CFC supervision missions to the programme areas			

II: PROGRAMME SUMMARY

TITLE OF THE PROGRAMME:	**Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war (CFC/ICO/XX)**
SUBMITTING ICB:	International Coffee Organisation
DURATION:	4 years
LOCATION:	Democratic Republic of Congo
NATURE OF PROGRAMME:	Multi-faceted support to address identified constraints in the coffee value chain in Eastern DRC and thereby increasing the local coffee production, productivity, quality and competitivity in the global market.
BRIEF DESCRIPTION:	The **purpose** of the project is to improve sustainable livelihoods of coffee producers affected and/or displaced by war in the Eastern provinces of DRC (North Kivu, and South Kivu). By supporting their economic integration in their communities of origin through coffee farming, the project will contribute to a broader **goal**: the revival of the coffee sector in DRC as well as the sustainable reduction of rural poverty as stated in the national coffee sector strategy (2011-2015). The installation of mother gardens and seed gardens in collaboration with national research institutions will allow for the production of improved planting material (high yield and disease resistant) which will be disseminated through a network of local nurseries. The installation of well-trained coffee extension services (ONC) will ensure that local coffee farmers are supported in the adoption of good agricultural practices which will eventually lead to an increase in productivity. The project will also support the creation of linkages between the various actors of the value chain so as to improve quality and marketing efficiency. This will result in improved coffee farm gate prices. Finally the sustainability of the project will be assured by supporting the enhancement of the coffee sector governance through a multi-stakeholder process.
TOTAL COST:	US$ 1,611,447
CFC FINANCING:	US$ 1,373,847 (Grant)
COUNTER PART CONTRIBUTION/COFINANCING:	US$ 237,600
PROGRAMME EXECUTING AGENCY:	Café Africa International
PROJECT IMPLEMENTING AGENCY:	ONC, INERA.
SUPERVISORY BODY:	International Coffee Organisation, London, United Kingdom
ESTIMATED START DATE:	2012

III: INTRODUCTION

A) PROGRAMME CONCEPT

While global demand for coffee is increasing regularly (on average 2% per year) the share of Africa in world exports has dropped from 30% in the 1970s to 11.3% in 2010 (ICO). Coffee used to be one of the main sources of export revenue for the continent. The liberalization of the sector and the general disorganization that followed, combined with other factors such as periods of low prices and price volatility as well as the incidence of pests and diseases (in particular Coffee Wilt Disease in robusta), caused the ruin of millions of producers and industry members in Africa. The abrupt end of the economic clauses of the International Coffee Agreement in 1989 and its associated quotas and stabilization mechanisms resulted in a period of high volatility for the world coffee prices. African coffee sectors were particularly affected by the 2000-2004 coffee crises when prices were so low that they did not even cover the production costs of farmers and which caused many of them to stop maintaining their plantations.

It is estimated that 40 million people in Africa depended directly or indirectly on coffee for their livelihood (Jobin 1992). That figure is probably significantly lower today. Most of them are in poor rural areas since 90% of African coffee is produced by farms of less than 2ha. Given the significance of the contribution of the coffee sector to the gross domestic product of many of the coffee producing countries in Africa, and its capacity to generate incomes for a great number of rural inhabitants, there is a wide consensus that this trend needs to be reversed. Coffee represents indeed an important lever in the fight against rural poverty in Africa, and can contribute to reach the Millennium Development Goal (MDG) number 1 of the United Nations which aims at eradicating extreme poverty and hunger by reducing by half the number of people living on less than one dollar a day.

In DR Congo, the war and ongoing civil unrest which started in 1996, combined with the impact in some production areas of the Coffee Wilt Disease (CWD) and previous decades of neglect during the Mobutu regime, have resulted in the sharp decline of national coffee production and export levels. Insecurity caused after the Rwandan genocide and subsequent civil war have turned former coffee estates into abandoned or neglected plantations. Small holders and field workers have often fled the country to become refugees in neighbouring countries (Tanzania, Uganda, Rep. of Congo, Rwanda, Burundi, etc.) or have been displaced internally.

The Secretariat of the Common Fund for Commodities has received a project proposal originating from the Democratic Republic of Congo (DRC) entitled "<u>Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war</u>".

The objective of the project as outlined in the profile is to

"Provide employment for coffee farmers affected and displaced by war and for resettlement in their areas of origin, through fieldwork and the rehabilitation of coffee growing in target areas, with a view to producing more fully-washed coffee."

The project profile was reviewed by the internal Project Appraisal Committee PAC of the Common Fund for Commodities. On review of the project proposal, the PAC noted that:

"The project has a strong element of poverty alleviation and could serve as a good model to demonstrate how commodity development assists in post conflict rehabilitation".

It was further noted that the project proposal as currently structured does not elaborate sufficiently on the sustainability element of the project with reference to the smallholders and the overall economy of the DRC. To this end, it was recommended that the CFC should employ a consultant to undertake a full appraisal and elaboration of the project proposal.

The successful consultant was expected to conduct the study, identify key constraints and opportunities of coffee industry in DRC and develop a proposal to address the identified constraints. The objective of the assignment was specifically to evaluate and elaborate, through desk research and field surveys, the proposal to improve the living conditions of war-afflicted coffee farmers by resettling them in their areas of origin in the DRC and protecting their biophysical environment. Café Africa was selected for this consultancy in April 2011. Although the Terms of Reference requested the study to be completed on a period of only 45 days, Café Africa capitalized on its work over the last two years to provide the following detailed appraisal.

Since 2009 Café Africa has been working alongside the actors of the coffee sector in DRC and has supported their efforts to revive their national coffee sector. This has been done using the following process:

• Diagnose the current situation in the coffee sector using a participatory approach involving the entire value chain and all the major producing provinces (private public partnership)

• Catalyze the building of national vision, consensus and linkages by supporting the establishment of a national coffee committee and seven provincial coffee committees tasked with steering the efforts to revitalize the national/local coffee sector

• Facilitate the development of a national coffee sector strategy together with detailed provincial implementation plans

The process was started in 2009 by the Government of the DRC and the Office National du Café, together with Café Africa. Local coffee stakeholders meetings were initially organized in six provinces gathering all actors from the value chain (producers, processors, exporters, researchers, ONC, Ministry of Agriculture, Extension services etc.). These meetings were organized in Boma (Bas-Congo), Kikwit (Bandundu), Mbandaka (Equateur Sud), Gemena (Equateur Nord), Isiro (Orientale), and Beni (Nord Kivu). Participants identified key areas of action to revive the national coffee sector and suggested practical actions to be implemented in the framework of the national strategy. They also set up provincial coffee committees gathering key actors from the local industry.

A national workshop (January 2010) organized with the support of various agencies allowed synthesizing those elements within a single draft strategy document. This was done under the direction of the Minister of Agriculture himself, in presence of 150 participants.

This draft sector strategy was further elaborated with the support of the EU AAACP program and specialists from the International Trade Center (June 2010). A series of provincial meetings were organized in 2010-2011 to include inputs from the provincial coffee committees and to develop detailed provincial implementation plans. The Province of South Kivu was added to the national process in January 2011 when a workshop gathering 80 local actors was organized in Uvira.
This included the Provincial authorities, the ONC, Researchers from INERA, Exporters, International Organizations and NGOs (OXFAM NOVIB, OXFAM SOLIDARITE, Twin Trading, CTB etc.) as well main producers (OLIVE, CPNCK, UGEAFI etc.)Particular attention was given to the inclusion of women in the debates with more than 20 women attending the meeting.

The national coffee sector strategy (2011-2015) was officially handed over to the government during a ceremony in Kinshasa in April 2011. More than one hundred members of the industry were gathered when the Minister of Agriculture, Mr. Norbert Basengezi Katintima, together with the Director of the Office National du Café and other senior members of the administration took ownership of the strategic document.

This two-year participatory process has allowed developing a detailed diagnosis of the DRC coffee sector which is presented in the present appraisal document. Specific meetings have also been conducted in the framework of Café Africa's consultancy mission for CFC to appraise the initial project proposal submitted by the ONC and DRC's government and to ensure that all key stakeholders are involved in its re-design so as to guarantee future success in its joint implementation.

- Meeting with the Deputy Director of the ONC, Mr. Guy Bompate – 05/04/2011
- Meeting with the Secretary General of the Ministry of Agriculture, M. Ali Ramazani – 05/04/2011
- Meeting with the Principal Advisor to the Presidency on Agriculture, M. Emmanuel Libendele Lobuna – 05/04/2011
- Meeting with the Honorary Secretary General of the Ministry of Agriculture, M. Thomas Kembola – 05/04/2011
- Meeting with Coffee Research Specialist at INERA, M. Daniel DIBWE MUNKAMBA – 05/04/2011
- Meeting with the Director General of the ONC, M. Demas Emmanuel Kangwenye - 06/04/2011
- Initial meeting for the creation of a participatory project revision committee including ONC, Ministry, INERA – 06/04/2011
- Second meeting of the participatory project revision committee including ONC, Ministry, INERA (8 members) – 07/04/2011
- Third meeting of the participatory project revision committee including ONC, Ministry, INERA (8 members) – 08/04/2011
- Consultation meeting with key private sector actors including exporters – 11/04/2011
- Meeting with the Minister of Agriculture, M. Norbert Basengezi Katintima, - 14/04/2011
- Meeting with the Director of the Fédération des Entreprises Congolaises (FEC), M. Stefan VERINGA, – 18/04/2011
- Meeting with the Director General of INERA, Dr. Paul MAFUKA – 19/04/2011

Meetings were also conducted on the identified project areas so as to include local stakeholders in the development of the proposal and collect the greatest possible number of details. They gathered various actors from the value chain including ONC and coffee farmers:

- Isiro (Orientale Province) 4th ,5th and 6th of May 2011
- Beni (North Kivu) 9th and 10th of May 2011
- Bukavu (South Kivu) 13th and 14th of May 2011

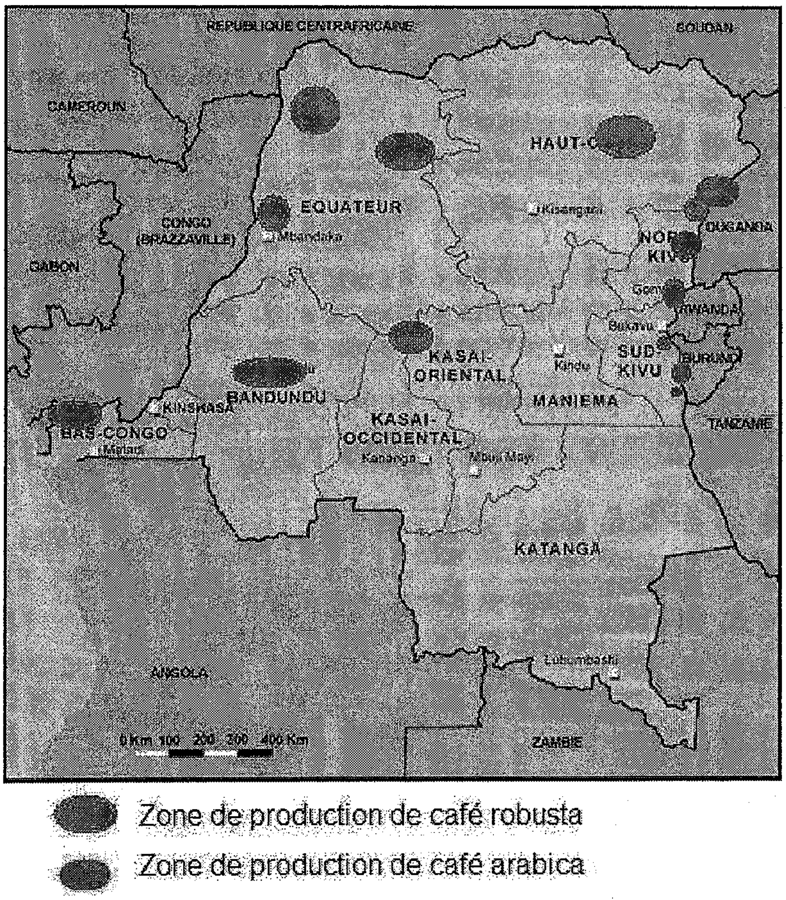
Other meetings were organized to identify possible funding counterparts:

- Meeting with Brazilian Embassy, Mr. Daniel Ferreira, Ministre Conseiller, – 18/04/2011
- Meeting with Corporate Affairs Manager / Nestlé DRC, Mr. Anthony Nkinzo – 18/04/2011
- Meeting with USAID – Dr. Victor Meta Mobula, Augustin, Dieudonné Mbuka Muhemedi and Eric Naranjo – 19/04/2011
- Meeting with Hans Joehr, Corporate Head of Agriculture Nestlé Head Office – 11/05/2011

- Phone meeting with Dennis Macray, Gates Foundation, 12/05/2011
- Meeting with Mr William Vinck, Decotrade AG, Zug – 13/05/2011
- Meeting with Ms Valentina Maglio, Lavazza Foundation – 13/05/2011
- Phone meeting with East Congo Initiative, Ms. Harper McConnel – 16/05/2011
- Meeting with the International Trade Centre – 16/05/2011
- Phone meeting with Regional Director Technoserve, Paul Stewart – 18/05/2011
- Meeting with Schluter SA, Joel Martin – 19/05/2011

B) OVERVIEW OF THE COFFEE SECTOR

The coffee sector used to be one of the main drivers of the Congolese economy. During the 1970s and 1980s, revenues from the coffee exports used to exceed all other agricultural export commodities in the DRC: they accounted for about 10 to 15% of total exports value and between 70 and 85% of agricultural sector exports. Coffee was widely considered in the major producing provinces: Bas-Congo, Bandundu, Equateur (North and South), Kasai (West and East), Kivu (North and South) and Oriental Province, as being the main source of disposable income for 800,000 rural households involved in coffee production (ONC estimates). A map of the main producing areas is provided below.



Although exact figures are not available, it is estimated that throughout DRC about 200,000 ha are planted with coffee of which 85% is of the Robusta varieties and 15% is Arabica coffee. Nearly 90% is cultivated by smallholder farmers and the average size of a holding is 1.3 ha for Robusta and 0.8 ha for Arabica.

History and current state of the coffee production in DRC

The process of liberalization of the coffee sector was completed in 1976, when the monopoly of the ONC on purchases and exports, started in 1972, came to an end. At that time the annual production was stable at a level of about 60,000 tons of green coffee. The "Coffee Boom" as well as the implementation of the new ONC agronomic guidelines (Kisangani 1972) resulted in a significant increase in production which lasted about a decade (1977-1988). The peak was reached in 1986 with a figure of 108,030 tons.

The statistics observed over the following period (1989-2006) show a continued decline in production which has reached a record low of 32,329 tons in 2006, a loss of ± 70%. Official figures indicate a slow recovery over the last few years (2007-2011). While current production is officially estimated to be at a level of about 49,000 tons (ONC figures for 2010), this figure should be treated with caution because of the high discrepancy with official export figures (about 9,000 tons) while national domestic consumption and illegal exports cannot entirely account for this difference.

History and current state of the coffee exports in DRC

Annual coffee exports from the DRC reached a record high of about 120,000 tons in 1989. This was an exceptionally high figure due to the release of stocks withheld due to the quota system of the ICO, which came to an end on 3rd July 1989, thus freeing producing countries to export all their coffee. They have plummeted over the last twenty years, reaching only 8,919 tons in 2010 (ICO). This represents an annual revenue loss of about U.S. $ 235 million for the Congolese economy. Although exports are highly correlated with the progress of production they have been influenced by global economic developments, and the price swings of the last 20 years.

After the peak in 1989 (119 320 tons), the statistics show a linear decrease from 1990 (101 600 tons) until 2003 (7.162 tons), a staggering loss ± 93%. The resumption of exports during the transitory period from 1994 to 1996 is in part due to the outflow of stocks outstanding at the result of improved prices on the world market, but also in anticipation of the war that threatened the countries. During the last 5 years, the upward trend indicates a slow recovery of production and exports due to the return of peace in the country, a nascent reorganization of the industry, and improvement in coffee prices on the world market.

The socio-economic impact of the collapse of the coffee sector

Coffee culture has always been an important source of income for the rural populations in several provinces of DRC: Bas-Congo, Bandundu, Equateur (North and South), Kasai (West and East), Kivu (North and South) and Orientale Province. It used to support the livelihood of 4.8 million of individuals (800,000 households) over the country. The productive system is indeed mostly based on smallholder farming while the biggest colonial plantations have largely been abandoned. This latter trend started in the 1960s, but accelerated in the 1970s due to the policy of Zaireanisation, which saw most foreign plantation owners leaving the country.

Over the 1989-2007 period, coffee exports have diminished by 93% while production has plunged by about 70%. This rapid collapse of the coffee sector has had a highly negative socio-economic impact on the rural areas of DRC contributing to the development of acute poverty, food insecurity and problematic access to basic services (education, health, water / sanitation). This is because coffee used to play a key role as the main source of cash for rural households. It also provided an important source of employment, especially for women – as coffee production, harvesting and processing are labour intensive activities. Money derived from its sale used to cover medical expenses, education costs or needed habitat improvement. In most cases no alternative crop or economic activity has been developed as a replacement ever since leaving hundred f thousands of households in a situation of extreme poverty.

Analysis of the existing constraints for the DRC Coffee sector

Between 2009 and 2011, Café Africa has been involved in supporting the national/provincial stakeholders all along the value chain so as to conduct a participatory diagnosis of the current state of the coffee sectors. Participants in seven producing provinces were asked to identify the existing constraints hampering the development of the national coffee sector.

A synthesis of their answers is reported below:

❖ At the Research level

– weakness of agricultural research;

– absence of dissemination of the results of studies and research;

– lack of participatory research;

– insufficient funding for the Research.

❖ At the Production level

– Lack of supervision of farmers and improved / modern farming techniques

– Lack and / or insufficient materials and agricultural inputs;

– Low yield per hectare;

– Ageing plantations and planters;

– Use of unselected planting material;

– Deprivation of the lands of indigenous peoples in some regions;

– Access to land is difficult and / or limited (issues with land titles);

– Discouragement of coffee farmers;

– Coffee agronomists lack regular refresher courses;

– Insufficiency or lack of transportation for evacuation of products;

– Lack of or inadequate maintenance of plantations;

– Lack of interest from youth for agricultural activities;

– Farm gate coffee prices are low due to the presence of too many intermediaries;

– Degeneration of planting material;

– Lack of access to agricultural credit;

– Non-compliance with standards, good agricultural practices and farming techniques;

– Mismatch between funding and planned actions;

– Non-participation of the State matching funds;

– Diversion of financial resources obtained initially for the recovery of the sectors;

– Limited organization of producers;

– Unfair sharing of the value produced along the value chain;

– Presence of endemic diseases and insect pests (CWD);

– Non-involvement of women in the cultivation of coffee;

– Multiplicity of taxes and red tape;

– Poor state of communication channels;

– Lack of access to information on prices;

– Abandoned plantations not being organized

❖ At the Processing level:

– Lack of processing units;

– Obsolescence of existing processing units;

– Lack of electric power and high cost of alternative energy sources (diesel fuel);

– Lack of proper packaging for green coffee in rural production areas;

– Lack of equipment (racks, drying area);

– Lack of storage capacity;

– Inaccessibility to agricultural credit;

– Lack of technical supervision;

– Lack of quality control of products placed on the local market.

- Lack of proper packaging for roasted and ground coffee

❖ At the Marketing level:

– Reduced number of exporters in some provinces, due to low coffee availability and supply;

– Poor condition of rural feeder roads and communication in some provinces

– No coffee competitiveness of the DRC on the world market;

– Lack of financing (pre-financing, value chain finance);

– Distance – production areas in relation to exit points;

– Lack of information for the development of the market and future outlook for prices;

– Lack of business markets for the majority of provinces;

– Administrative problems ("tracasseries");

– Lack of good marketing policy.

The incidence of coffee wilt disease ravaging robusta plantations in 3 provinces (Orientale, North Kivu and Equateur), the continued decline in coffee prices on the world market (1999-2003), the recurrent armed conflicts resulting in the current socio-politico-economic situation for over a decade (1996-2008) plus the liberalization of the "artisanal"/informal sector mining of precious materials that diverted a portion of the workforce, the dilapidation of roads and communication infrastructure, lack of micro finance institution or bank for agricultural credit, inadequate supervision of the planters, the isolation of certain areas of coffee production, widespread insecurity or small farm size are all important factors for this drop in production according to the stakeholders themselves.

The specific issue of Coffee Wilt Disease (CWD)

It was first observed in 1939 on Coffea excelsa collected in plantations located at Aba on the borders between the DRC and Sudan (Fraselle, 1950). The disease initially had only a minor impact and remained contained to a small geographical area. It re-emerged in the early 1970s around Aketi, about 76 km from Isiro (Kalonji-Mbuyi et al., 2009). From there, the disease started to spread from the Haut-Uélé to the rest of the Orientale Province. Between 1985 and 1989, the ONC carried out surveys which confirmed the extent of the damage. According to estimates made in 1987, its incidence was 19% in these coffee areas (Katenga, 1987) but only 2 years later it had reached 30%, mainly in the district of Haut-Uélé (Kalonji-Mbuji et al., 1990). In Isiro, by the mid-1990s, 90% of the plantations were affected! From Haut-Uélé, the disease continued to spread down through a corridor of Robusta coffee in the Ituri district. The disease then reached the North Kivu Province where it was observed from 1995 onwards. More recently, CWD has been reported to have infected plantations in the province of Equateur.

A 2009 DFID report ("Coffee Wilt Disease in Africa") notes that
"It is difficult to quantify the losses due to the disease, but it is clear that CWD presents a very serious constraint to coffee production in DRC, the disease is widespread in the country and has destroyed many of the coffee plantations in the major production zones of the country."

A detailed analysis of the existing specific constraints at the provincial level is provided under annex II.

IV: INSTITUTIONS INVOLVED, ORGANIZATION AND RESPONSIBILITIES

Programme Executing Agency (PEA): Café Africa International

The stakeholders have suggested that Café Africa International could play the role of the Programme Executing Agency (PEA) as it represents a key partner for both the ONC and the government of DRC and it is already involved in the development and the implementation of the national coffee strategy (2011-2015) in the various coffee growing provinces of the country.

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Contact person: John Schluter (CEO)

Café Africa International is a non-profit organisation registered as an association under Swiss law. It was founded in 2006 by Mr. John Schluter who worked nearly 40 years, mainly in processing, exporting and marketing African coffee. Café Africa is governed by an Annual General Meeting of Members and a Management Committee.

Café Africa's core vision emerged in February 2006 as founding members realized that in putting together the increasing global coffee demand and Africa's production potential, there was an opportunity to address the issues of declining export volumes of coffee and the resulting increase in poverty. This became the driver of the association's campaign for a restoration of Africa's coffee industry to the levels of the mid-1970's, a time when Africa accounted for over 30% of global exports. Café Africa was founded with the objective of working with Africa's coffee industry to find ways to restore Africa's coffee production to its former level in world markets.

Café Africa aims at reducing poverty in Africa by restoring coffee production by 2015, the date set by the Millennium Development Goals for poverty reduction. To this end, Café Africa initiates and supports the preparation and implementation of national coffee sector strategies at the invitation of national authorities and the coffee industry.

The pivotal idea is to set up a multi-stakeholder process including all members of the coffee value chain and to aim for sector change. The objective is to support this process through its early years, as the key elements of shared vision, collaborative working, and a joint approach to the challenges of improving productivity and quality.

Café Africa undertakes and supports multi-stakeholder programmes in these areas as well as implements consultancies which include support to an enhanced functioning of coffee value chains, facilitation of regional processes, supporting stakeholder bodies, training and capacity building in a wide range of subject areas relating to coffee agronomy, processing or market linkages.

Café Africa is an international organization and as such can draw on experiences from a number of African countries. Café Africa's staff cover a range of expertise; program management, value chain analysis, agronomic research, direct support to farmers including Farmer Field School methodology (FFS), and Integrated Production and Pest Management. Currently there are on-going programmes in Tanzania, Uganda, Cameroon and DR Congo, with contacts and partners in other countries.

Café Africa was requested by national stakeholders to play the role of the Programme Executing Agency. It will be responsible for the overall execution of the programme and will be responsible for disbursement of funds and programme monitoring. It will work in close collaboration with the Programme Implementing Agencies.

The Programme Executing Agency (PEA) will co-ordinate the programme implementation with collaborating institutions. The PEA will be responsible for programme management and will be accountable for the programme budget. The PEA will administer the programme finances as provided in the CFC Financial Procedures Manual and will ensure that the programme accounts are audited every year.

The PEA will produce progress reports every six months in the CFC format. The PEA shall facilitate the supervision missions by ICO and CFC and will also make arrangements for the mid-term and programme completion evaluation.

Supervisory body: The International Coffee Organization (ICO)

The International Coffee Organization (ICO), with headquarters located in London, maintains the statistics concerning world coffee production, trade and consumption. It also provides a forum for meetings between representatives of coffee producing and consuming countries and acts as a centre for the collection, exchange and publication of economic and technical information on coffee.

Address:	International Coffee Organization, 22, Berners Street, London W1T 3 DD, UK
Tel:	+44 (0) 20 7612 0600
E-mail:	**info@ico.org**

148. The ICO will receive progress reports every six months from the Programme Executing Agency (PEA) in the CFC format. The ICO will study the report and compare it with the Annual Work Plan, and set performance indicators before sending the report to the Common Fund with the comments of the Supervisory Body. Budgets and financial statements will be attached to each progress report as prescribed in the CFC Financial Procedures Manual.

Programme Implementing Agencies (PIA)

These will be mainly the National Coffee Institutions charged with regulatory role (ONC), Research (INERA, Faculté d'Agronomie de l'Université de l'Uélé), as well as the local private sector including exporters, NGOs and farmer organisations in the targeted provinces.

Office National du Café (ONC)

The National Coffee Board (ONC) is a public establishment, with legal personality. It is the official coffee regulatory authority in DR. Congo. In this capacity it organizes, coordinates and controls the country's coffee industry. It sets the coffee policy and ensures its execution

As part of its mandate, the National Office of Coffee (ONC) organizes and supervises the activities of production, marketing, processing, quality control and export of coffee.

The organization and operation of the ONC, are governed by the provisions of Ordinance No. 79-059 of 7 March 1979 on the status of the Office and the Framework Law No. 78-002 of 6 January 1978 Applicable to Public Enterprises, as amended to date.

The ONC is under the technical supervision of the Ministry of Agriculture, Livestock and Fisheries.

It is governed by a Board of Directors, a Management Committee and a Board of Statutory Auditors.
The ONC's main missions are:

a) At the agronomic level
- Provide technical assistance to farmers
- fund research, development and improvement of the production in the coffee sector;
- promote the training of agronomic supervisors and coffee growers.

b) At the industrial level
- ensure the machining and packaging of their coffee and that of others;
- provide technical assistance to millers.

c) At the regulatory level
- accredit warehouses, storage facilities and packing plants;
- monitor the quality and packaging of coffee for export;
- propose to the supervisory authority, the standards that are most appropriate for the definition of commercial types adapted to the global market;
- defend the interests of the state in all matters related to coffee.

d) At the commercial level
- approve and monitor negotiations and exports;
- Ensuring the continuous monitoring of domestic stocks;
- publish the mercurial price;
- Participate in the procurement and export of coffee for his own account of the state, or others;
- Represent the DRC to the International Organizations of coffee.

<u>Institut National pour l'Etude et la Recherche Agronomiques (INERA)</u>

The National Institute for Agronomic Study and Research (INERA) is derived from the former INEAC (National Institute for Agronomic Studies), inheriting the complex infrastructure left by the latter.

INERA was created by the Ordinance No. 186 of November 12, 1962. It now enjoys the status of public enterprise for scientific and technological development. In its capacity as public enterprise of a scientific character, INERA is governed by Law No. 78-002 of 6 January 1978 laying down general provisions applicable to public enterprises. It is placed under the Ministry of the Scientific and Technological Research by Ordinance-Law No. 81-040 of 5 November on the organization of agricultural research in the Democratic Republic of Congo.

INERA's mission is to promote the scientific development of agriculture in the Democratic Republic of Congo. As such, it is responsible in particular:

- To conduct research activities that can lead to results that once disseminated are likely to increase and improve agricultural production.
- Ensure the programming, coordination and monitoring of all agricultural research activities in the country and the assessment of the outcome of this research.
- To carry out all studies, applied agricultural research and experimentation.
- Establish and provide means to ensure the training of skilled researchers.
- Inform the Government, public bodies and non-government and anyone else interested in agricultural research on agricultural production.
- Develop and implement cooperative agreements with national and international agricultural research institutions.

A Project Implementation Agreement will be signed between the PEA and each collaborating institution before the start of the project as per the CFC manual.

V: PROGRAMME DESCRIPTION

A) PROGRAMME OBJECTIVES AND RATIONALE

Objectives

The **purpose** of the project is to improve sustainable livelihoods of coffee producers affected and/or displaced by war in the Eastern provinces of DRC (North Kivu, and South Kivu). By supporting their economic integration in their communities of origin through coffee farming, the project will contribute to a broader **goal**: the revival of the coffee sector in DRC as well as the sustainable reduction of rural poverty at the national level.

One of the priorities of the DRC government, as stated in the national coffee strategic action plan, is the revival of the coffee production through rehabilitation of the old plantations. In this pattern, the government is willing to rehabilitate the centres of production and multiplication of the elite clones selected by INERA.

The installation of mother gardens and seed gardens in collaboration with national research institutions will allow for the production of improved planting material (high yield and disease resistant) which will be disseminated through a network of local nurseries operated by the private sector/farmers groups with the support of the ONC. The installation of well-trained coffee extension services (ONC) will ensure that local coffee farmers are supported in the adoption of good agricultural practices which will eventually lead to an increase in productivity. At the same time the project will support the creation of linkages between the public and the private sector and the various actors of the local value chain so as to improve quality and marketing efficiency. This will result in improved coffee farm gate prices. Quality improvement will be done in partnership with exporters though simple affordable techniques (selective picking, proper drying practices using tarpaulins or local drying mats, adapted storage and transportation methods). The production of fully washed coffee through ecological compact coffee washing stations will also be pilot tested. Finally the sustainability of the project will be assured by supporting the enhancement of the coffee sector governance through a multi-stakeholder process which will allow for the identification of the bottle necks hampering the good functioning of the system and the participatory design of collective solutions.

Rationale

In the immediate years after the end of the civil war, the emphasis on development in DRC has been on urgent issues of re-establishing security across the country, and dealing with humanitarian emergencies and food crises. However in the past few years, the government has been focusing on the reform of the agricultural sector and has tries to address deeper issues. This is part of what is called "Les cinq chantiers". At this current stage of economic development in DRC, agriculture is the only sector which can provide work for millions of people, while ensuring fair distribution of the generated income and sustainable pro poor economic development. The DRC has enormous agricultural potential with about 80 million hectares of arable land and could provide not only for its population but also for the rest of the continent.

At the same time, there is a growing appreciation of the importance of the cash crops – "cultures de rente" – in stabilising small-holder incomes, and of the potential benefits of implementing a programme for the rehabilitation of these crops. The transport infrastructure is gradually being improved. There are more regular barges moving up and down the main river water-ways, and some of the major roads are also being rebuilt. There is at this time a great opportunity to revive the national coffee sector in DRC.

The programme is designed to make a significant impact in the Provinces selected in rehabilitating existing coffee small-holdings, and providing a sustainable foundation for the ongoing work of revitalising coffee production in this region. The objectives include:

• Improving coffee productivity which provides a unique opportunity for reducing poverty in the Provinces concerned

• Over the last two decades coffee exports from this part of D R Congo have declined by over 80%, but world demand is growing and stocks are low. Revitalisation of coffee production and quality from this important region, both or Arabica and robusta, will bring a radical improvement to the livelihoods of families in rural areas by enhancing the volume and quality of their produce. Thus there is both the potential and an opportunity for the coffee sector to make a significant contribution to the development of the Eastern and North Eastern Provinces of the country, but only if the reasons for its decline are addressed in a coordinated and concerted manner.

The programme will target not coffee alone but coffee farming systems in which producers live and earn a livelihood from. By laying emphasis on sustainable production that conserves the socio-ecosystem, the project will allow targeted coffee farmers to increase their incomes while mitigating the risk of long term soil depletion or threatening biodiversity.

B) RELATED PROGRAMMES AND PREVIOUS WORK

The proposed programme will add value or learn from a number of past and current programmes.

The CFC funded programme on improving coffee quality in Eastern and Central Africa through improved processing practices (CFC/ICO/22) made major strides in increasing coffee farmers' income through enhanced coffee processing equipment and techniques. Lessons learned from that programme will be incorporated into the implementation of this project. Also the Pilot Project funded under the All ACP Programme of the EU by the World Bank and ITC in Cameroun, using ecological coffee washing stations as centres of production excellence to enhance both productivity and quality will also provide useful input for this project.

The CFC/EU/DfID supported programme entitled "Improvement of Coffee Production in Africa by the Control of Coffee Wilt Disease" (No. CFC/ICO/13) was implemented in seven countries in East, Central and West Africa and developed GAP for and selected for CWD resistant lines of Robusta coffee in DRC, Tanzania and Uganda. The work done under that programme is still be continued, to a limited extent, by the ONC in Beni, which is probably the best source of immediately available CWD resistant planting material for the present project, albeit on a limited scale, due to lack of follow-up funding at the end of the programme.

There is a private sector project in South Kivu being managed by Twin Trading, London, dealing with a number of Cooperatives, and working on quality improvement of arabicas, with good agricultural practices, aiming at FLO certification. There is another private sector project in North Kivu working with a number of small Cooperatives aiming at imporved production and quality, with a view to Utz certification.

We also understand that Technoserve may be considering a programme to work with farmers in North Kivu to address issues of low productivity. We have approached them to see how this might be linked to the present proposed project.

C) PROGRAMME COMPONENTS

This proposed project is composed of several components. Under each component are listed a number of specific activities which if implemented will contribute to its delivery.

Component 1: Support to the sustainable increase of coffee productivity for smallholder coffee farmers

Average yield for coffee production is currently estimated to reach between 150kg/ha and 250 kg /ha in the targeted areas. Such a low level of productivity (as a comparison 2,300 kg/ha is the average yield in Vietnam) is one of the key factors explaining why coffee farming is not a profitable activity in the area.
The project will promote good agricultural practices and will provide multi-faceted support through ONC extension brigades and field extension workers so as to improve yield and overall coffee production in the target areas.

Objective: To increase the productivity and therefore overall production of coffee in Eastern DRC while conserving the natural environment

Output: Coffee productivity in the project areas increase by at least 150% to reach a level of 500 kgs of green coffee per hectare by year 4 (750 kgs/ha . after year 6)

Indicators:

- At least 3 million of improved coffee varieties plantlets are supplied to targeted coffee farmers by the end of the project
- At least 95% of the targeted coffee farmers receive support from specialized extension services from year 2 onwards
- At least 85% of the targeted coffee farmers adopting good agricultural practices (GAP) from year 2 onwards

Activities:

A1 .1 Produce and distribute improved varieties coffee plantlets with tolerance/resistance to main diseases and high yield potential so as to regenerate and expand existing coffee plantations

Coffee farmers in the eastern provinces of DRC have highlighted that one of their main problem is that they don't have access to suitable planting material. While improved varieties for Robusta have been tested and are available in the INERA Research Center they don't currently have the capacity to produce a sufficient quantity of seeds/plantlets and there is no network of nurseries to make them available to local coffee farmers in South Kivu and North Kivu.
The project would provide support to existing institutions (INERA, ONC, private sector) so as to build a sustainable capacity in terms of production/multiplication/distribution of planting material of improved varieties. By doing so, it would contribute to tackle the issues of low productivity, pest and disease (through introduction of disease resistant plants), and would support the economic integration of households affected by the conflict.
Both Arabica and Robusta varieties would be covered by the project. One initial challenge will be obtaining improved planting material to start in the initial stage.

A 1.1.1 Production of improved planting material: seed gardens, mother gardens, and possibly somatic embryogenesis

There are three main methods that could be selected to produce improved coffee planting material in the framework of the project:

- Seed reproduction
- Vegetative reproduction
- Somatic embryogenesis

Since Arabica is autogamous, the seed reproduction technique may be used though ideally vegetative reproduction gives the best results. It allows producing in a relatively rapid manner a large number of plantlets. Seeds are extracted from a fresh coffee cherry and placed in propagators where they stay about three months when they grow into viable plantlets which can then be transferred to a coffee nursery. In the framework of this project two seed gardens would be established by INERA in Mulungu (South Kivu) and a second site to be later selected (North Kivu). Improved varieties would be provided by INERA although little research/development work has been carried out in this field over the last decades. The project may need to request assistance from neighbouring countries in that matter though this implies a longer lad time, given the need for field trials to be conducted for any new or imported material. Currently, there are 5 Arabica varieties available at INERA: Local Bronze, Bourbon, Jackson, Kent.

For Robusta, which is allogamous, the method of multiplication by vegetative cuttings, that is to say cloning, is an attractive method because it allows obtaining trees that are identical to the initial coffee tree which cuttings were taken from. The starting point is a "mother garden", where selected plants of improved varieties (elite clones) are grown and monitored to provide orthotropic branches only capable of forming vertical trunks. Improved material has already been tested by INERA and is available in various mother gardens including Yangambi Research Center. Those elite clones (L 36, L 48, L 93, L 147, L 215, L 251, SA 158) have a high production potential and are CWD tolerant. Other improved varieties from Uganda have been tested and are available in Beni (Kituza R1,R2,R3,R4,R5,R6,R7). The project will capitalize on the lessons learnt during the implementation of a CFC/EU/DfID supported programme entitled "Improvement of Coffee Production in Africa by the Control of Coffee Wilt Disease" (No. CFC/ICO/13). Robusta mother gardens would be established/upscaled by INERA in two locations (North Kivu, South Kivu) using vegetative reproduction. The seed reproduction method may also be used for Robusta along with vegetative reproduction, to reduce the time necessary to produce a sufficient quantity of planting material. The risks of pollution by alien pollen will be managed by isolating the seed garden from other coffee cultures through a buffer zone.

Somatic embryogenesis is the best method for clonal robusta multiplication. It creates a great number of perfect individual plantlets in a short period of time. This is done in a laboratory using in-vitro techniques. This is a technology that is being used to a limited extent in Tanzania and Uganda and which is quite difficult to master. Nestlé has been contacted to see if they might be able and willing to provide assistance to the project in this field. Their answer is not yet known. Nestlé Research and Development Center in Tours (RDT) in France could produce somatic embryos to distribute plantlets to farmers or to plant mother gardens. This strategy could lead to produce hundreds of thousands, even millions of plantlets benefiting Congolese coffee farmers. INERA would need to be trained to set up acclimatization units. The plantlets would then be transferred to traditional coffee nurseries.(the plantlets need to be weaned and hardened before being placed in a nursery, and only thereafter planted out in the field). This capacity would need to be developed in DRC.

A. 1.1.2 Distribution of the coffee planting material: Supporting the development of a coffee nurseries network

A network of 24 private nurseries will be established on the project areas. Each of them will be supported by the project and supplied with improved planting material originating from the INERA seed gardens/mother gardens so as to reach a production capacity of about 40,000 coffee plantlets per year.

Possible locations for the nurseries (two nurseries per area) are:

North Kivu	South Kivu
- Beni - Mutwanga - Butembo - Kayna - Rutshuru - Goma	- Idjwi - Kalehe - Bukavu - Uvira - Fizi - Baraka

Developing such a dense network of small-size coffee nurseries will allow local coffee farmers to have easy access to planting material in the vicinity of their communities.
Those nurseries will be managed by the ONC as well as the private sector and selected cooperatives and NGOs (e.g. SYDIP). They will receive technical support from the ONC agronomists. The project will train the nursery operators and will strengthen their capacity during the entire project duration so that they may be operated on a sustainable basis. Coffee plantlets of improved varieties will not be freely distributed to the coffee farmers but will be sold at a regulated price. This will allow providing planting material to the greatest possible number of coffee farmers while ensuring sufficient income for the coffee nurseries to operate on a sustainable economic basis. Support will only be provided during the first year of the project and the partner will be asked to constitute a revolving fund to cover the costs for the subsequent years.

A 1.2 Support the adoption of good agricultural practices through the establishment of specialized coffee extension services

An ONC agronomic brigade will be set up on the project areas according to official national standards. Considering the available budget, the brigade will cover both North and South Kivu and will be composed of: 7 ONC Coffee Agronomists including 1 Head of Brigade at a A0/A1 level and 6 field supervisors at a A1/A2 level.

Each field supervisor will oversee 8 field extension workers (total 48) who will be selected from existing IPAPEL staff (Inspection Provinciale de l'Agriculture, Pêche et Elevage – recognised agricultural extension services from the State) Farmers groups, Cooperatives, and private sector projects.

Each Field extension worker will be responsible to provide direct support to 50 coffee farmers (direct project beneficiaries) while also supporting other local coffee farmers (400 coffee farmers constitute a "cercle agricole"). They will support the adoption of good agricultural practices as well as the rehabilitation of plantations so as to improve productivity including: soil tests, selection and land preparation, utilization of improved planting material, planting and replanting, maintenance (weeding, pruning, pest control, mulching, cover soil, intercropping, soil fertilization, ...)

Extension services will be equipped with necessary tools and agronomic material as well as transportation means as follow:

- one four-wheel drive pick-up vehicle for each brigade (to be also used by coffee nurseries)
- one motorbike for each ONC supervisor
- one bicycle for each field extension worker

Training and refresher courses will be organized during the duration of the project to ensure the development of capacity of the extension services.

A 1.3 Support the organization of coffee farmers into groups and build the capacity of these groups

A certain number of farmer groups and cooperatives have been indentified who will act as key partners of the project. Their capacities will be strengthened to encourage group acquisition of inputs, credit as well as marketing of product. A capacity building program will be specifically designed to support their activities. It will include didactic material such as posters, production handbook, radio shows. Besides Good Agricultural Practices and post harvest techniques, training will cover issues such as management; book keeping; governance; equipment installation, use and maintenance.

A 1.4 Equip cooperatives and farmers groups with appropriate tools and demonstration equipment

The project will raise awareness of the local coffee producers on the utilization of adapted tools, inputs and phytosanitary products for sustainable coffee production. Trainings will be provided on integrated pest management and environmental friendly agricultural practices that prevent soil erosion and preserve the socio-ecosystem. Adapted tools will be provided for demonstration purposes as well as for collective use to partner cooperatives and private sector projects as well as to the field extension workers.

Farmer field schools will be organised on the site of each partner cooperative and projects to demonstrate effectiveness of selected good agricultural practices and to teach local coffee farmers how to improve productivity in their own farms through simple techniques. This will be done by extension services trained under Activity 1.2. Good Agricultural Practices taught to farmers will include integrated pest management, pruning, stumping, mulching soil and water conservation leading to better crop welfare and improved farm productivity.

Component 2: Improving farm gate coffee prices through quality improvement and enhanced private/public local partnerships

While the coffee from Eastern Congo (both Robusta and Arabica) is potentially of an excellent quality, the Arabica in particular is currently sold at a highly discounted price due to poor post-harvest and processing practices. The consequence is that the price for the local value chain is not sufficiently remunerative. Smallholders coffee farmers typically harvest green and red berries in a single stripping, resulting in a number of immature cherries in the product. Robusta cherries are directly dried on beaten earth. Another issue has to do with the disorganization of the marketing system and the multiplication of intermediaries between the farmer and the exporter which creates unnecessarily high transaction costs reducing the farm gate coffee prices while making impossible any development of value chain finance (pre financing). Village producers sell unhulled coffee either to local plantations or more often to independent collectors/traders who hull and resell it for local consumption or export them to the regional market. Producers are generally paid the same price irrespective of the quality of the product. Those issues could be addressed through the development of local partnerships between producers, exporters as well as extension services in order to improve quality and market efficiency. Coffee has well established marketing chains, especially in North Kivu. In some cases these marketing chains are not helpful in optimising the quality of the end product, nor of ensuring the best return to farmers. The project will need to engage with the existing marketing chains, including the exporters and other intermediaries, to see how these can be brought through into a more competitive and quality conscious system.

Objective: To ensure increased coffee prices for targeted coffee farmers thanks to improved quality and better marketing system

Output: At least 75% of the targeted coffee farmers benefit from a 10% premium on farm gate coffee sale prices as compared with farmers from other areas

Indicators:

- 100% of the target areas benefit from a private/public partnership for coffee quality improvement (by the end of the project)
- At least 85% of the targeted coffee farmers are sensitized on improved harvest / post-harvest / processing practices (by the end of the project)
- The production of fully washed coffee is pilot tested by supporting the installation of two ecological compact coffee washing stations
- Each ecological compact coffee washing station produce at least 36 tons of clean coffee per year (by the end of the project)

Activities:

2.1 Establish private-public partnerships for quality improvement in each targeted area including value chain finance

The project will support a local quality improvement initiative in each province. This will be done through a partnership agreement signed between the project, local farmers groups, extension services and an exporter. The two exporters will be selected on the basis of their past involvement in the area, their proven track record of success supporting quality improvement initiatives and their willingness to develop a long term relationship with local coffee farmers. The idea is to encourage pre-financing of farmer groups by the private sector and the establishment of stable commercial relationships. Such a partnership will allow integrating the project activities in a commercial perspective thus ensuring better sustainability.

2.2 Undertake capacity building on improved harvest, post-harvest and processing practices

In the framework of the quality improvement initiative, simple and affordable techniques will be promoted in order to improve quality of the coffee produced. The project will for instance sensitize farmers on the merits of proper harvest practices and the value addition in picking only ripe cherries. Specific trainings and associated awareness-raising material will also be developed to address the issues of: drying, processing, storage etc. The exporter will be involved in this process contributing to the training and on the job support thanks to its expertise in the field.

2.3 Equipment of farmers groups with drying tarpaulins, local drying mats, hand pulpers etc.

Twelve farmers groups will receive sets of drying tarpaulins, local drying mats or hand pulpers (Arabica) with the double objective of directly improving the quality of the coffee produced by member farmers as well as demonstrating to local coffee farmers the benefits from using these simple affordable tools. Cupping sessions will be organized locally to allow coffee producers to actually taste the difference between a coffee which has been harvested and handled properly vs. poor quality coffee. They will also be explained what it entails in terms of sale price difference.

2.4 Support the installation and pilot testing of ecological compact coffee washing stations for the production of fully washed coffee

Two exporters (one in each province) will receive an in-kind support for the installation of a small ecological compact coffee washing station as the project will procure the necessary machinery and equipment. Those eco-pulpers are designed to process coffee cherries through a method called wet processing. The objective of wet processing is to remove pulp and mucilage from ripe coffee cherries in an environmentally friendly way. The coffee produced is of higher quality and potentially suitable for specialty markets. Cherries are cleaned, selected (separation of immature cherries), pulped, and the mucilage removed through an automated system. The parchment coffee is then put to dry on drying tables to lower the moisture content to about 12% so as to preserve the beans safely in storage. While the classic coffee washing station requires a considerable investment, uses high volumes of water, and requires a large volume of fresh cherry to run at reasonable capacity utilization, the modern compact ecological CPU's (Central Processing Units) which will be installed by the project are economically viable with much lower volumes of cherry due to their smaller infrastructure and lighter investment. In addition, they require lower volumes of water, using typically 10 – 20% of the water required in a classic CWS. This is due to the mechanical removal of the mucilage. This has the further advantage of removing the necessity for the process of fermentation of the parchment coffee before drying. This greatly simplifies and speeds up the processing. Less infrastructure/construction – and therefore less investment – is required. There is a significant value-addition to be gained from the wet processing of coffee, in order to produce what is called washed – or fully washed coffee. This requires a certain investment, but according to the quality produced, it is estimated that this can provide a return on investment (ROI) in the order of 30 – 35% on the cost of installing and operating a small CPU. This return is derived from the premiums at which the washed coffee can be sold on specialty markets compared to traditional primary processing methods. It should also enable better prices to be paid to farmers for their coffee.

The effluent from these small CPU's needs careful handling to avoid contaminating local water sources, and the cherry pulp can be used with vermin composting techniques to make very efficient organic fertilizer.

2.5 Support the marketing of the Congolese coffee in regional/international specialized events

The coffee produced in Eastern DRC will be promoted during international coffee events such as EAFCA or IACO. Synergies will be developed with other initiatives including International Trade Centre projects so as to benefit from their expertise in terms of promotion on the international market. This coffee will be presented to international buyers and roasters, and cupping reports from Q grading specialists will be shared with the industry. This could be done in the framework of a regional cooperation with other central African countries (ECCAS Project).

Component 3: Enhancing the efficiency of the value chain through better governance of the coffee sector

One of the key constraints hampering the revitalization of the coffee industry in DRC (cf. Chapter B) is the one of the problematic governance of the national coffee sector. World famous DRC expert, Eric Tollens noted in 2004:

"Tree crops have been virtually abandoned as a result of the zairianisation, and political and economic instability coupled with excessive taxation. [...] Taxation and administrative harassment need to be watched in order not to compromise investments in perennial crops. This subject needs permanent attention as there is always a tendency to overtax, formally and/or informally, thus compromising the future of perennial crops as cash crops for export."

Objective: To improve the functioning of the local coffee value chains through better sector governance

Output: Improved communication between the various actors of the coffee value chain including public and private sectors

Indicators:

- 100% of the targeted areas benefit from a provincial multi-stakeholder committee meeting at least quarterly and addressing potential issues and identifying collective solutions at the local level (taxation, harassment, regulations, security, transportation etc.)
- The national coffee strategy committee meets at least twice a year to discuss key national issues, sector reforms and coordinate efforts for the revival of the national coffee sector

Activities:

3.1 Organize meetings from the provincial coffee committees on a quarterly basis

3.2 Organize meetings from the national coffee committee on a bi-annual basis

3.3 Document key lessons learnt from the project and disseminate them at the national and international levels

Component 4: Inclusive project management and coordination

Objective: To reach programmes' objectives in the most efficient possible manner (budget and timeframe) in the respect of the guidelines and procedures provided by the funding partners

Output: All the project partners collaborate in an efficient manner implementing planned activities in a smooth manner and according to agreed budget and timeline

Indicators:

- The programme inauguration and planning workshop is realised.
- Administrative and financial procedures communicated by funding partners are respected
- Detailed annual workplans and budgets developed and implemented
- Programme partners working harmoniously
- A M&E system established and operationalised
- Reports (technical & financial including audit) sent to ICO and financer regularly and in agreed frequency and formats

- Availability of annual auditor reports
- Programme supervised by ICO/CFC or their appointee

Activities:

4.1 Set up a Programme Management Unit

A joint Programme Management Unit will be established on the project areas. It will ensure coordination of the PEA and PIAs and will have the main responsibility for overall project implementation. It will be composed of:

- Project Coordinator appointed by the PEA (possibly expatriate)
- Deputy Project Coordinator (detached from the ONC)
- Finance and Administration Manager (to be recruited externally)

4.2 Establish administration and accounting procedures and provide training in these, and establish effective communication channels between PIAs and PEA.

The project coordinator as well as specialists from the PEA will be tasked with the establishment of procedures and ensuring that they are properly applied. This will entail capacity building of the PIAs as well as regular controls conducted by both the Finance and Administration Manager and the PEA.

4.3: Develop detailed annual work-plans and budgets

These work plans will be communicated to the funding partners as well as project partners and will allow for full transparency on project implementation.

4.4: Provide technical support to PIAs and carry out effective co-ordination of the programme

The Project Coordinator will be recruited on the basis of his experience in terms of coffee project management. He will support the PIAs in the implementation of the various components. He will be based in the project areas so as to provide daily supervision and assistance as needed. Specific support missions and technical backstopping will be provided by Café Africa International in Nyon (Switzerland) as well as by international consultants.

4.5: Establish an effective monitoring and evaluation system

The Logical Framework Matrix constitutes the central element of the project management system. It defines project's objectives, key indicators, and describes the approach taken to implement it. The Logical Framework is accompanied and complemented by other monitoring and evaluation tools presented below:

- Final external evaluation
- Mid-term internal evaluation
- Six-monthly Progress Reports
- Direct field visits

4.6: Prepare regular progress reports, a mid-term evaluation report, annual accounts, audits and programme completion report

Final evaluation will be conducted after project's completion by external independent experts who will be jointly selected by the project's partners. They will be tasked to assess the project with respect to the following key criteria: relevance, efficiency, effectiveness, impact and sustainability. The final evaluation report will indicate to what extent the project's results, purpose and overall objective were achieved. The final evaluation report will be presented to project's partner during a half-a-day workshop.

Mid-term evaluation will be done by Cafe Africa International HQ specialists (Year 2) on the basis of a beneficiaries survey and a participatory review of the project's achievements by the stakeholders themselves. Findings will be triangulated through review of the six-monthly progress reports and on-site direct visits. The mid-term evaluation report will be presented to project's partner during a stakeholders meeting.

Local project management team will produce six monthly progress reports which will be reviewed by Cafe Africa International M&E specialist at the HQ level. This will be systematically shared by e-mail with all project's partners for information and comments.

Periodic on site visits will be organized in the field by the local project management team, to collect data and meet with stakeholders. This will allow verification of basic M&E data through direct observation. The M&E expert from CAI HQ will visit the project sites annually to cross-check information. Short reports will be made available to project's partners upon request.

4.7: Organize ICO/CFC supervision missions to the programme areas

The PEA as well as the PIAs will organize supervision missions by the ICO/CFC upon their request including suggested program, travel/logistical arrangements, appointments and beneficiaries meetings.

D) WORKPLAN AND GANTT CHART

		Year 1				Year 2				Year 3				Year 4			
Component	Activity	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1: Support to the sustainable increase of coffee productivity for smallholder coffee farmers	A1 .1 Produce and distribute improved varieties coffee plantlets with tolerance/resistance to main diseases and high yield potential so as to regenerate and expand existing coffee plantations																
	A 1.2 Support the adoption of good agricultural practices through the establishment of specialized coffee extension services																
	A 1.3 Support the organization of coffee farmers into groups and build the capacity of these groups																
	A 1.4 Equip cooperatives and farmers groups with appropriate tools and demonstration equipment																
2: Improving farm gate coffee prices through quality improvement and enhanced private/public local partnerships	2.1 Establish private-public partnerships for quality improvement in each targeted area including value chain finance																
	2.2 Undertake capacity building on improved harvest, post harvest and processing practices																
	2.3 Equip cooperatives and farmers groups with drying tarpaulins, local drying mats, hand pulpers etc.																
	2.4 Support the installation and pilot testing of ecological compact coffee washing stations for the production of fully washed coffee																

		Year 1				Year 2				Year 3				Year 4			
Component	**Activity**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
	2.5 Support the marketing of Congolese coffee in regional /international specialized events																
3. Enhancing the efficiency of the value chain through better governance of the coffee sector	3.1 Organize meetings from the provincial coffee committees on a quarterly basis																
	3.2 Organize meetings from the national coffee committee on a bi-annual basis																
	3.3 Document key lessons learnt from the project and disseminate them at the national and international levels																
4. Inclusive project management and coordination	4.1 Set up a Programme Management Unit																
	4.2 Establish administration and accounting procedures and provide training in these, and establish effective communication channels between PIAs and PEA.																
	4.3: Develop detailed annual work-plans and budgets																
	4.4: Provide technical support to PIAs and carry out effective co-ordination of the programme																
	4.5: Establish an effective monitoring and evaluation process																
	4.6: Prepare regular progress reports, a mid-term evaluation report, annual accounts, audits and programme completion report for each country																
	4.7: Organize ICO/CFC supervision missions to the programme areas																

E) BENEFITS AND BENEFICIARIES

The direct beneficiaries will be 2,400 coffee farming households affected and/or displaced by the conflict (about 14,400 individuals including 7,200 women) and located in two different provinces: North Kivu and South Kivu. They will receive direct support from the project through ONC coffee extension services and support to producers organizations and will benefit from improved productivity and increased coffee income (at least +150% by the end of the project).

The indirect beneficiaries will include 19,200 coffee farming households affected and/or displaced by the conflict (about 115,200 individuals including 57,600 women) who will benefit from the support from the ONC coffee extension services and availability of the improved planting material.

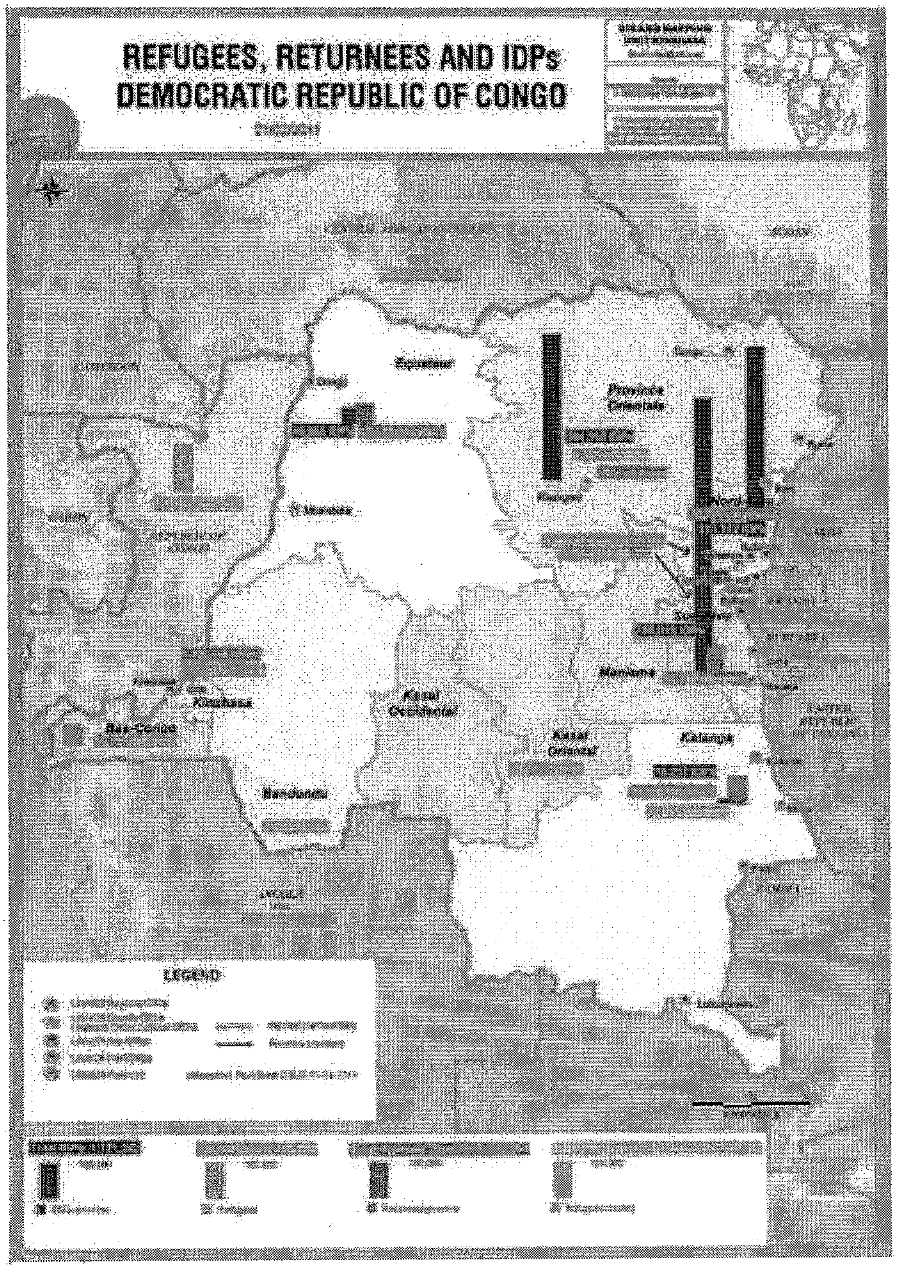
Other indirect beneficiaries will be the members of the coffee value chain in the two provinces and the rest of the country who will gain from an improved governance of the coffee sector which will entail better functioning of the productive and marketing system.

National institutions such as ONC, INERA and Producers Organizations will also see their capacities strengthened in the framework of the project which will support their sustainable operation in the future.

Project areas have been selected on the basis of the following criteria:

- According to UNHCR and UNOCHA, those provinces are currently severely affected by problems of displacement and refugees. Together, they represent more than 79% of the national population of returnees, and 75% of the displaced population. (cf. Map below)
- They have a high density of coffee plantations OR they have a large potential for coffee rehabilitation due to their contribution to the national production in the past
- Coffee is of potentially good quality and can be sold at a remunerative price on the market
- The local stakeholders have demonstrated interest and motivation for the implementation of the project and the main institutions are represented locally

While the initial draft of this project also included the Province Orientale and the Province of Equateur, national stakeholders have decided to focus on two provinces in the Eastern part of the country to ensure maximum impact of the project considering the budget potentially available. Another reason is that the World Bank has decided in 2010 to support the Equateur Province with the PARRSA (120 million USD) which will include support to the production of plant material in the agricultural sector. The implementation of a smaller initiative on the same period of time may have resulted in unnecessary duplication of efforts.



Although all stakeholders have been included in the analysis done for the purposes of this appraisal, and in defining the priorities for the sector in the provinces, The constraints identified involved the entire value chain, from producer through primary processing, transport, secondary processing, and marketing, both internal and export. However, the key element was the production, and finding the means to revitalise the productive capacity of the small-holder farmers.

The producers are the most vulnerable, with the least resources to address the identified problems. In those areas of the country where production has in some measure been maintained, there remains a fairly active and dynamic private export sector. The focus therefore of the appraisal and the recommendations come from it has therefore been on the production end of the value chain. This is born of the conviction that if the coffee is produced in commercial volumes, the private sector actors will take the necessary steps to organise the purchase and marketing of the crop. As volumes increase, so it is expected that the efficiency and competitiveness of the value chain will improve.

Thus, while all the stakeholders in the supply chain will benefit from the growing volume of coffee which can be expected from this project proposal, the main and ultimate beneficiaries of the programme will be the producers in the two provinces which have been selected as the geographical target area for the project.

Addressing the problems of the producers will enable farmers to produce greater volumes of higher quality coffee which in turn would benefit the other stakeholders further down the value chain. Also to benefit will be the various private and public institutions which work directly with farmers or farmer organisations. The stakeholders include the following;

- Small-holder farmers in the 2 Provinces, North & South Kivu
- Primary processors
- Farmer groups (associations, cooperatives, unions)
- Exporters and secondary processors(for export)
- Input suppliers
- Financial institutions (banks, etc)
- INERA (including researchers and extension staff)
- NGOs – those involved with farmer groups
- O.N.C. (increased volumes will enhance revenue)
- Internal market traders

The availability of sufficient quantities of improved variety seedlings should enable them to focus more on coffee in their small-holdings, and bring these more rapidly to a level of profitability that will encourage sustainable production growth. As volumes increase, and the internal market becomes more competitive, producers should receive a higher share of the export price. This will also come about through the aspects of the project which target improved quality production of washed coffees. This in turn should leave to producers receiving a higher price for their coffee, whether they sell it as cherry to central processing units (CPU), improved parchment to the local market, or as clean (green) coffee for export. Specific benefits will include the following;

Contribution towards meeting DRC's vision for the coffee sector: Since the National Strategy has been adopted by the Government in April 2011, clear volume targets have been agreed. This project should make a significant contribution towards achieving the agreed objectives by the 2015 date.

Improved vertical value chain linkages between farmers and the private and public sectors: As production increases, it is expected that the private sector will make new investments in processing capacity, and demonstrate a greater commitment to the provision of input and technical support to farmers. At the same time, farmers will become better organized and empowered,; and the public sector should start to provide better support.

Increased coffee productivity: As indicated above, the ultimate beneficiaries will be the farmers who will have better access to planting material, inputs and the market enabling them to earn more from coffee. Sustainable coffee productivity will therefore be increased using integrated methods which conserve the environment. This is considered a critical factor in light of the growing competition for available land, water and labour resources for food crops as well as bio-fuels.

Financial Rate of Return: improved quality and productivity through GAP, and using environmentally friendly processing methods are expected to lead to an increased rate of return. The improved processing should also enable farmers to be able to access the coffee speciality market reserved for producers who meet certain international certifications and standards.

Strengthening of Institutions: Implementation of the project will have national institutions as integral partners, including the ONC and INERA, as well as Provincial Agricultural Ministries. This should strengthen their capacity Capacity building will be in the form of both training of staff as well as working alongside the institutions in the execution of the project. It will also include acquisition of a limited amount of equipment and facilities..

Reduction in "tracasseries" and the heavy fiscal burden on the value-chain: At present coffee movements and export attract considerable attention from official, semi-official and unofficial sources, and there is a plethora of taxes which is charged. The joint action of all stakeholders working together in the value-chain should help to reduce these charges and taxes, leaving more benefit from the sales proceeds to flow back to growers.

Improvement of household incomes and poverty alleviation: The livelihoods of a significant proportion of small coffee farmers and their families are dependent upon the income from coffee. For a majority of them, on account of the poor communications and transport links, coffee remains the only source of income without many alternatives and thus crucially important for survival. Helping the farmer produce what the market wants and linking him/her to the market will help increase income and improve livelihoods. Improved varieties should ensure higher yields with better disease resistance, thus reducing input costs. Thus, the project is expected to play an important role in poverty alleviation.

Assisting with the re-establishment of households displaced by the war: One of the objectives of this project is the rehabilitation of returning households following the years of civil strife in DRC. The Provinces selected for the implementation of this project are among those which have been worse affected by the civil war since 1996, with large numbers of rural households dislocated, which has caused much suffering among the populations. By restoring this primary source of revenue, and doing so on a sustainable basis, the project will greatly improve the livelihoods of these families.

Foreign Exchange Earnings: Improved yields and growing production, combined with reduced input costs are expected to have a positive impact on the foreign exchange earnings for the country.

Compliance with CFC & ICO goals: In terms of CFC priorities as indicated by the objectives outlined in the Third Five year plan (2008-12) this programme directly addresses the first objective which is to finance commodity development projects, which improve competitiveness of commodity producers, support sustainable operation of the commodity value chains and addresses vulnerability of export commodity producers and increasing their share in end-product value. This programme also addresses Objective 3 of the same plan which is to raise the profile of the problematique of commodities and, specifically, concerns of commodity producers in the international development community.

F) ENVIRONMENTAL ASPECTS

The project aims to increase productivity of and trade in coffee in DRC using strategies that are both environmentally friendly and sustainable. All the components include elements of sustainability (conservation of the natural resource base, especially water and soil). The base-line study to be undertaken at the beginning of the project will ensure careful selection of targeted farmers, and to ensure that the application of inputs will have minimal negative impact on the environment. Part of the work of rehabilitating old plantations will be to intensify crop production, making better use of available land and water resources, specifically with the intention of avoiding the tendency among small-holders to cut new forest areas when needing more land for planting.

Initial soil analysis will ensure the adoption of integrated soil fertility management practices. The progressive introduction of resistant varieties as they become increasingly available will help towards an environmentally friendly way of producing coffee, while at the same time reducing cost of managing pests. For the existing susceptible varieties which require protection against diseases like coffee leaf rust, the project will aim to identify environmentally friendly fungicides which are still cost effective.

One of the key aspects will be to ensure that within the project target area and with the farmers involved, there is a responsible approach with regard to the respect for the forest areas, and a protection of the natural environment.
Coffee processing for most of the Robusta coffee in the 2 Provinces selected is traditionally done by using "dry" processing. These have no negative effects on environment as may "wet" processing methods. The "wet" processing innovations to be promoted in this programme are through utilisation of ecological pulpers which use minimal quantities of water and thereby minimise risk of contamination of soils and water bodies. The organic by-products of the processing might even be used as organic fertiliser.

It is the intention to associate the work of the project with other coffee projects which are in progress or starting in the 2 Provinces. These include projects working towards certification for some farmers, to give access to speciality markets. Environmental conservation (sustainability) constitutes part of the compliance to these standards and certifications.

G) INTELLECTUAL PROPERTY RIGHTS, PUBLICATIONS

Technology and know-how acquired as a result of, or otherwise emanating from, the programme shall be the shared intellectual property of the Fund, PEA, and collaborating institutions. The Fund may take out and maintain any intellectual property right protection to the results obtained and for the processes elaborated under the programme, but only after due consultation with the PEA and Collaborating Institutions. The PEA and Collaborating Institutions are recognised as sole holders of their respective background intellectual property, and the Fund acknowledges and confirms that it has no sole rights to the technology and know-how acquired as a result of, or otherwise emanating from, the programme, that derives from this background intellectual property.

The PEA acknowledges and confirms that it has no sole rights of whatever nature to the technology and know-how acquired as a result of, or otherwise emanating from, the programme, and that it shall keep all such technology and know-how confidential, unless otherwise agreed with the parties to the programme.

The Fund shall have the exclusive right to the publication, in whatever form, of the results and technical outputs of the programme. In doing so, the Fund shall fully acknowledge technical contributions made by the PEA and the Collaborating Institutions. The Fund shall own the copyright to and the revenues accruing from the sale of any publication it may issue. The Fund may delegate fully or partly the right to publication to other parties involved in the programme.

H) PROGRAMME COSTS AND FINANCING

The total cost of the proposed project is US$ 1,611,447 with a total CFC grant of US$ 1,373,847 and counter-part funding from ONC of US$ 237,600. In addition, we are hoping to find additional co-finance funding and have approached a range of different organisations with initial proposals in order to potentially upscale the project. A list of these organisations and the contacts so far made is set out in Annex I.

I) PROGRAMME RISKS (Risk Assessment and Management)

There are a number of risks that could potentially affect implementation of the programme, and hence, the achievement of programme objectives. Such risks have been carefully considered during the process of programme formulation and appraisal and appropriate measures have been included in the programme design to mitigate against such risks. These risks include the following.

The 2 Provinces covered by this project have in the last 10 – 15 years been through a very difficult period of civil strife and unrest. A reasonable level of peace and security has been restored to the region, thanks in part to the presence of the Monusco force. While there is still the presence of small rebel groups in some areas of the Provinces, it is considered that this does not constitute a sufficient risk to prejudice the operational efficiency of the project and its coordination unit. However, should the political situation deteriorate, this could present a problem, though the coffee farmers have continued with their production throughout the 15 years of political unrest.

Volatility in and especially if world prices fall again to low levels, this may cause farmers to lose interest in coffee. The project concentrates almost entirely on smallholders who have few other options. Given the clear interest in and enthusiasm for coffee among the small-holder farmers who have taken part in the stakeholder meetings over the past 2 years, it is likely that production will increase rapidly through the interventions of the project. Coffee prices have increased considerably during 2010 and early 2011. The global supply/demand outlook for the coming 5 – 10 years points to a continuing growth in demand, and many industry experts agree that D R Congo is potentially one of the countries with the capacity to meet some of that increase.

There is a risk that the project is unable to access quickly sufficient quantities of improved planting material to meet the demand. At present, one of the key constraints is the multiplication of the CWD resistant Robusta plants, as well as the development and testing of the improved Arabica varieties. Approaches have been made to organisations which may be prepared to provide some support in this area, and which are referred to in Annex I.

It is assumed that all partners will be able to work harmoniously and be able to effectively undertake their respective roles. The preparatory meetings in Kinshasa in April 2011 were very positive, and since then the Provincial Coffee Committees have all had an opportunity to provide input to the project, so that there is "ownership" at every level. The project also provides for technical assistance and support to enhance the capacity of the local counterparts. At the same time, appropriate training of local staff has been included to strengthen national capacities to undertake their activities, especially on financial and administrative procedures.

The business environment in D R Congo remains challenging. In the World Bank Index of "The difficulty of doing business", DRC ranks 175th. There continues to be a multiplicity of taxes, both formal and informal, on business operations, and the costs of operating, of transport and of doing business are relatively high. However, it is expected that the project will assist also in addressing some of these issues. With a growing volume of coffee, it is expected that the private sector will be motivated to become better organised to meet the opportunity. There is a risk that this supply side response is not there, and that the buyers and exporters do not rise to the challenge. However, early indications and contact with exporters give grounds for optimism in this area.

The sustainability of operations after the programme is crucial to achieving the ultimate objective of a more general and wider application of the systems to be developed under this programme. The risk that operations will not be continued after programme completion has been mitigated in a number of ways. For example the institutions involved will participate because of the benefit they expect to derive from the programme and will be committing their own resources to strengthen their operations. The involvement of the producers, the Producer Organisations, and the private sector operators from the outset should ensure that at the end of the project there is continuity in the work which has been started.

There are some external risks which should be mentioned but for which programme stakeholders cannot be responsible. These include ongoing and improving political stability, disruptions from physical or biological catastrophes, global economic crises, etc.

IV: SUPERVISION, MANAGEMENT, MONITORING AND EVALUATION OF PROGRAMME

A) PROGRAMME ORGANISATION AND MANAGEMENT

The PEA will assume overall responsibility for managing the project, including overall co-ordination of implementation, planning, budgeting, accounts, procurement and monitoring of progress. The project will be implemented based on an agreed annual work plan and budget. The PEA will prepare a draft work plan and budget including tasks of each collaborating institution. This draft work plan will cover in sufficient detail, the activities to be carried out during the period by the PEA and these institutions.

The work plan will include a schedule of reporting by the CFC and ICO, as well as any co-financing partners. This draft work plan and budget will be cleared by ICO and made available to the CFC for comments before the start of the project. The comments of the CFC will be incorporated in the final annual work plan and budget. The PEA will be responsible for managing the project, including complete coordination of the planning, budgeting, implementation, accounting and monitoring of the progress.

B) DISBURSEMENTS, PROCUREMENT, ACCOUNTS AND AUDIT

Disbursements against the purchase of project items individually costing the equivalent of a USD 250 or more will be fully documented and retained in a central location by the PEA. Staff salaries and allowances, operating expenses, training costs and supplies and all other incurred programme costs shall only be reimbursed by the PEA against certified Statements of Expenditure (SOEs) from PIAs. PIAs will be responsible for keeping copies of expenditure documentation for all items (including below USD 250 threshold), in a central location for review by the PEA, ICO or CFC.

Procurements will take place in accordance with the CFC's Regulation and Rules for the Procurement of Goods and Services from the Second Account.

Disbursement and Procurement guidelines are elaborated in the Financial Procedures Manual of the Common Fund and will be detailed in Schedule 3 of the Project Agreement.

Accounts and Audit. All PIAs in the programme will maintain independent financial records and accounts in accordance with sound and internationally accepted accounting practices, and will submit to the PEA audited annual accounts within two months of the close of the programme fiscal year (January 1st). The PEA will keep consolidated accounts for the programme and prepare consolidated financial statements in accordance with the CFC's Financial Procedures Manual. The

PEA will arrange for an annual project audit by independent auditors, which will be submitted in line with the requirements stipulated in the CFC's Financial Procedures Manual.

C) SCHEDULE OF REPORTING

- **Project inauguration report and project Management Plan (PMP).** This to be completed following the detailed planning occurring at the Inception Workshop in yr 1. This will contain a detailed management plan with an updated budget and a fully-revised Gantt chart. The PMP to include milestones and deadlines for major tasks and products.

- **Annual stakeholder workshops** to carry out formal and informal end-of-year reporting on activities and results in each Province, and by other organisational participants. The workplan and budget for the following years will be discussed and agreed upon at these workshops. These workshops will be used to refine the project indicators, and attention will be paid to collect the significant stories from the project and identify best practice.

- **Annual Report of the Project** – This will cover the periods 1st January to 31st December in each year of the project based on inputs from the annual SH workshops. Reporting against progress indicators as listed in the logical framework; and to analyse risks and assumptions.

- **Six-monthly reports** will be due mid-year each year (June each year), reporting on activities and priorities, and charting progress.

- **Baseline appraisal Reports on the Socio-Economic Survey** to gather baseline information which will focus later activities in the project and will also serve as a basis for assessing impact– 1st Quarter of Yr 1. A similar survey will be conducted in the last quarter of the project.

- **Mid-term appraisal report**, to be carried out internally – to be prepared over a six-week period midway through the project.

- **Final Report** of the projects at most 3 months after completion.

D) MONITORING, SUPERVISON AND EVALUATION

The PEA shall arrange a Project Inauguration meeting at the start of the project, involving the Supervisory Body, Funding Body, PEA and PIAs. This will serve to review existing knowledge as well as prepare finalised year one work plans and budgets.

With the collaboration of all programme participants the PEA will prepare and submit detailed work plans specifying components and activities to be carried out over the year, with a related budget, not later than two months before the start of implementation.

The PEA will organize the annual workshop to review the project during the end of each year, which will coincide with planning next years activities. These will rotate between the 2 Provinces concerned with the project.

An internal mid-term evaluation of the project will be organized by the PEA.

Each PIA will produce reports relating to project activities undertaken that will be submitted to the PEA to serve as the basis of six-monthly progress reports to be prepared by the PEA for ICO and

CFC. A consolidated annual report will also be submitted to the SB and CFC within 3 months of the close of the reporting period.

Within three months of the conclusion of the project, the PEA will submit to ICO a project completion report along with full audited accounts.

The Programme Coordinator appointed by the PEA will liaise with the Provincial Coffee Committees make such trips to the Provinces as is necessary to ensure the running of the project, and for training and back-up in all the envisaged activities.

National Project Steering Committee (NPSC)

To ensure that the implementation of a project is not left to a Coordinator or institution, the PEA (in consultation with PIA), will establish a National Project Steering Committee This committee will include representatives from different stakeholder groups both public and private including producers, processors, traders, researchers and policy makers.

The NPSC will have responsibility, together with PEA for ensuring that the project is efficiently implemented within the budget and achieving the goals and objectives set out. It will be through the NPSC that the other stakeholders in the industry and in the project are kept informed and motivated concerning the progress. It will also provide a forum in which they can air their views and concerns and discuss important issues relating to the subject of the project. The committee meets once in every six months.

The PEA, PIAs and NPSC will agree on the way to execute the project each year, in line with the budget. This will be done in collaboration with the Provincial Coffee Committees.

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Table 1: Summary Cost Table by Component (USD)

Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war

Project Component	Total cost	CFC Grant
1. Support to the sustainable increase of coffee productivity for smallholder coffee farmers	**795,306**	557,706
2. Improving farm gate coffee prices through quality improvement and enhanced private/public local partnerships	**223,980**	223,980
3. Enhancing the efficiency of the value chain through better governance of the coffee sector	**193,230**	193,230
4. Inclusive project management and coordination	**151,780**	151,780
Operational costs	**170,416**	170,416
5% contingency	**76,736**	76,736
Total	**1,611,447**	**1,373,847**

Table 2: Summary Programme Cost by Component and Year (USD)

Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war

	Component	PY1	PY2	PY3	PY4	Total cost
1	Support to the sustainable increase of coffee productivity for smallholder coffee farmers	318,122	159,061	159,061	159,061	**795,306**
2	Improving farm gate coffee prices through quality improvement and enhanced private/public local partnerships	22,398	179,184	22,398	0	**223,980**
3	Enhancing the efficiency of the value chain through better governance of the coffee sector	48,308	48,308	48,308	48,308	**193,230**
4	Inclusive project management and coordination	51,605	33,392	33,392	33,392	**151,780**
	Operational costs	42,604	42,604	42,604	42,604	**170,416**
	5% contingency	19,184	19,184	19,184	19,184	**76,736**
	Total	**502,221**	**481,732**	**324,946**	**302,548**	**1,611,447**

Table 3: Summary Programme Cost by Categories (USD)

	Category	Total Cost
	Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war	
I	Vehicles, Machinery and Equipment	278,416
II	Civil Works	4,000
III	Materials and Supplies	184,600
IV	Personnel	331,800
V	Technical Assistance and Consultancy	217,000
VI	Duty Travel	267,980
VII	Dissemination and Training	80,500
VIII	Operational Costs	170,416
	Sub-total	1,534,712
IX	Supervision, Monitoring and Evaluation	0
X	Contingencies	76,736
	Grand total	**1,611,447**

* The ONC contribution mainly consists of salaries for:
- 7 ONC coffee agronomists grade A0 or A1)
- 1 Deputy project Coordinator (ONC)
- Technical backstopping from ONC Head Office and Project Administration (cf. detailed budget on Table 5)

Table 4: Summary Financing Plan by Component and source (USD)

	Component	Total cost	CFC Grant	ONC contribution	Co-financier 1
	Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war				
1	Support to the sustainable increase of coffee productivity for smallholder coffee farmers	**795,306**	557,706	237,600	0
2	Improving farm gate coffee prices through quality improvement and enhanced private/public local partnerships	**223,980**	223,980	0	0
3	Enhancing the efficiency of the value chain through better governance of the coffee sector	**193,230**	193,230	0	0
4	Inclusive project management and coordination	**151,780**	151,780	0	0
	Operational costs	**170,416**	170,416		
	5% contingency	**76,736**	76,736	0	0

Table 5: Detailed List of inputs by Category of Expenditure and Financier (USD)

Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war

Cat. Code	Category Name	Sub-cat. code	Sub-cat. name	Item of Expenditure	Unit	Unit Price	Quantity	Total Costs
I.	Vehicles, Machinery & Equipment	I.1	Vehicles	Single cabin four-wheel drive pick up vehicle for ONC partner	item	40000	1	40000
		I.1	Vehicles	Single cabin four-wheel drive pick up vehicle for project coordination	item	40000	1	40000
		I.1	Vehicles	125 cc Motorbikes for coffee extension workers (supervisors ONC)	item	4000	6	24000
		I.1	Vehicles	Bicycles for field coffee extension workers (POs and MINAGRI)	item	115	48	5520
		I.1	Vehicles	Maintenance for ONC pick up vehicle	monthly per vehicle	200	48	9600
		I.1	Vehicles	Maintenance for PMU pick up vehicle	monthly per vehicle	200	48	9600
		I.1	Vehicles	Maintenance for ONC motorbike	monthly per vehicle	35	288	10080
		I.1	Vehicles	Maintenance for field extension worker bicycles	monthly per vehicle	2	2304	4608
		I.2	Machinery	Eco coffee pulpers (Ecological Compact Coffee Washing Stations)	item	20000	2	40000
		I.2	Machinery	Diesel electric generators for ONC and coordination offices (5 kva)	item	1500	2	3000
		I.3	Equipment	Laptop for extension services (ONC)	item	1200	2	2400
		I.3	Equipment	Laptop for project coordination	item	1200	3	3600
		I.3	Equipment	Printer/Scanner/Copier for extension services (ONC)	item	750	1	750
		I.3	Equipment	Printer/Scanner/Copier for project coordination	item	750	1	750
		I.3	Equipment	Power surge protection for ONC	item	115	3	345
		I.3	Equipment	Power surge protection for project coordination	item	115	4	460
		I.3	Equipment	Beamer for training purposes (Project coordination)	item	750	1	750
		I.3	Equipment	V Sat for internet connection and network cables (ONC)	item	5000	1	5000
		I.3	Equipment	V Sat for internet connection and network cables (Project coordination)	item	5000	1	5000
		I.3	Equipment	Office furniture (ONC)	Lumpsum	2000	1	2000
		I.3	Equipment	Office furniture (Project coordination)	Lumpsum	3500	1	3500
		I.3	Equipment	Equipment kit for the installation of coffee nursery (wheelbarrows, secateurs, shading, hosepipes etc.)	nursery	1200	24	28800
		I.3	Equipment	Equipment kit for the installation of mother gardens (	mother garden	4800	4	19200

				wheelbarrows, secateurs, shading, hosepipes etc.)				
		I.3	Equipment	Equipment kit for extension services	per brigade	8053	1	8053
		I.3	Equipment	Equipment kit for quality improvement (tarpaulins, local mats, hand pulpers)	per partner	950	12	11400
II.	Civil Works	II.1	Building rehabilitation	Rehabilitation of ONC office	Lumpsum	2000	1	2000
		II.1	Building rehabilitation	Rehabilitation of Project coordination office	Lumpsum	2000	1	2000
III.	Materials & Supplies	III.1	Supplies for coffee nurseries	Plastic bags for plantlets in coffee nurseries (year 1 only - revolving fund)	Item	0.01	960000	9600
		III.1	Supplies for coffee nurseries	Fertilizer for coffee nurseries (50 kg NPK bags) (year 1 only - revolving fund)	Item	60	120	7200
		III.1	Supplies for coffee nurseries	Phyto products for coffee nurseries (year 1 only - revolving fund)	Nursery	125	24	3000
		III.1	Supplies for mother gardens	Plastic bags for plantlets in mother gardens (year 1 only - revolving fund)	Item	0.01	480000	4800
		III.1	Supplies for mother gardens	Fertilizer for mother gardens (50 kg NPK bags) (year 1 only - revolving fund)	Item	60	120	7200
		III.1	Supplies for mother gardens	Phyto products for mother gardens (year 1 only - revolving fund)	Mother garden	600	4	2400
		III.2	Truck rental for distribution	Distribution of plantlets to coffee nurseries & new mother gardens	rental days	200	128	25600
		III.3	Fuel	Fuel&lubricants: Supervision of field agronomists by ONC extension workers (supervisors)	liter	2	11520	23040
		III.3	Fuel	Fuel&lubricants: Project supervision (field visits)	liter	2	13440	26880
		III.3	Fuel	Fuel&lubricants for diesel generator (5 kva)	liter	2	14400	28800
		III.4	Communication&Internet	Phone communication & Internet for coordination	monthly lumpsum	350	48	16800
		III.4	Communication&Internet	Phone communication & Internet for ONC	monthly lumpsum	350	48	16800
		III.5	Stationery & Consumables	Stationery and consumables for ONC offices	per brigade / per month	130	48	6240
		III.5	Stationery & Consumables	Stationery and consumables for PMU coordination	per month	130	48	6240
IV.	Personnel	IV.1	Local Staff	Administrative and Finances Assistant	month	600	48	28800
		IV.1	Local Staff	Two drivers for four-wheel drive pick up vehicles	month	250	96	24000
		IV.1	Local Staff	ONC coffee agronomists (7 agronomists grade A0 or A1)	month	250	336	84000
		IV.1	Local Staff	Deputy project Coordinator (ONC)	month	300	48	14400
		IV.1	Local Staff	Technical backstopping from ONC Head Office and Project Administration	month	3200	48	153600
		IV.2	Local Consultancies	Technical support on coffee agronomy	month	900	6	5400
		IV.2	Local Consultancies	Technical support for finances/management for Producers organizations	month	900	6	5400

		IV.2	Local Consultancies	Daily workers for coffee nurseries and mother gardens	days	3	5400	16200
V.	TA & Consultancies	V.1	Internat. TA	Senior Project coordinator (Coffee Development Specialist)	month	4000	48	192000
		V.2	Internat. Consultancies	Baseline study	days	500	15	7500
		V.2	Internat. Consultancies	Technical support from international consultants (implementation)	days	500	35	17500
VI.	Duty Travel	VI.1	Internat. Travel Costs	Participation in international meetings to share lessons learnt from the project	journey	2000	4	8000
		VI.1	Internat. Travel Costs	International consultant mission (implementation)	journey	2000	4	8000
		VI.1	Internat. Travel Costs	International consultant mission (baseline study)	journey	2000	1	2000
		VI.1	Internat. Travel Costs	Annual supervision visit by CAI Nyon	journey	2000	4	8000
		VI.2	Local Travel Costs	On site visits for Project Coordination (e.g. Bukavu Beni air transportation)	journey	400	48	19200
		VI.2	Local Travel Costs	On site visits from Deputy Project Coordinator (ONC) (2 visits per month, 48 months)	journey	50	96	4800
		VI.2	Local Travel Costs	On site visits from ONC Head of Brigade (1 HoB, 2 visits per month, 48 months)	journey	50	96	4800
		VI.2	Local Travel Costs	On site visits from local ONC extension workers (6 supervisors, 2 visits per month, 48 months)	journey	50	576	28800
		VI.2	Local Travel Costs	On site visits from field extension workers (48 monitors, 2 visits per month, 48 months)	journey	2.5	4608	11520
		VI.3	DSA	International consultant mission (implementation)	days	150	60	9000
		VI.3	DSA	International consultant mission (baseline study)	days	150	10	1500
		VI.3	DSA	Annual supervision visit by CAI Nyon	days	150	20	3000
		VI.3	DSA	Field missions for Deputy Project Coordinator	days	20	480	9600
		VI.3	DSA	Field missions for ONC Head of Brigades	days	20	480	9600
		VI.3	DSA	Field missions for ONC extension services	days	15	2880	43200
		VI.3	DSA	Field missions for field extension workers	days	4	23040	92160
		VI.3	DSA	Field missions for drivers	days	5	960	4800
VII.	Dissemination & Training	VII. 1	Workshop	Travel - Programme Inauguration Workshop	participants	225	40	9000
		VII. 1	Workshop	DSA - Programme Inauguration Workshop	participants	20	40	800
		VII. 1	Workshop	Venue, lunches, coffee breaks, material - Programme Inauguration Workshop	day of workshop	6500	2	13000
		VII. 1	Workshop	Quarterly provincial coffee committee meetings	meeting	500	32	16000
		VII. 1	Workshop	Semestrial national coffee committee meetings	meeting	1000	8	8000
		VII. 2	Training	Training of ONC extension services (supervisors)	training	5000	1	5000
		VII. 2	Training	Training of field coffee agronomists	training	3000	4	12000
		VII. 2	Training	Training of coffee farmers on quality improvement	training	350	12	4200
		VII. 2	Training	On the job training for Ecological Compact Coffee	training	1500	4	6000

				Washing Station Operator				
		VII. 3	Other	Elaboration, Printing and Distribution of Training Manuals (arabica and robusta)	manual	4000	1	4000
		VII. 3	Other	Production of training material (posters, leaflets, radio broadcasts)	lumpsum	2500	1	2500
VIII.	Operational Costs	VIII. 1	Utilities	X				0
		VIII. 2	Office rent	PMU Office in Eastern DRC	months	500	48	24000
		VIII. 3	Maintenance	Office security, maintenance, cleaning etc.	months	300	48	14400
		VIII. 4	Audits	Annual audit	Reports	2500	4	10000
		VIII. 5	Overheads	8% for PEA	Lumpsum	113016	1	113016
		VIII. 6	Sundries	X	Lumpsum			0
		VIII. 7	Reporting cost	Quarterly, mid-term and final reports	Reports	500	18	9000
	TOTAL PEA BUDGET							1534712
IX.	Supervision, Monitoring and Evaluation	IX. 1	CFC Monitoring		Lumpsum			
		IX. 2	SB Supervision		Lumpsum			
		IX. 3	Evaluation	External final evaluation	Lumpsum			
		IX. 4	Publication	Publication of lessons learnt during the implementation of the project	Lumpsum			
		IX. 5	IRR	X				
X.	Contingencies		Contingencies	contingency (5% of total budget)	Lumpsum	76736	1	76736
				Total		x	x	1611447

ANNEX I: POSSIBLE DONORS FOR THE SUGGESTED PROGRAMME (BESIDES THE CFC)

The proposal is written based on the proposed initial funding from CFC, together with the counter-part funding from D.R.Congo. The scale of the task in hand, even for the 2 Provinces targeted for this project, means that its impact could be greatly increased if further funding could be found from co-financiers. Donors have different priorities and interests which are not static, but steps have been taken to seek additional funding as follows:

The African Development Bank (ADB). The proposed project is consistent with the banks' Agricultural Sector Strategy (2010-2014) which seeks to position the Bank to effectively contribute to a broader development of greater agricultural productivity, food security and poverty reduction while promoting the conservation of the natural resource base. A letter has been written to the ADB to request their consideration of a proposal related to the coffee sector in DRC, with the intention of linking that funding to this project.
The Economic Community of Central African States (ECCAS) has recently decided to make coffee a focus of its agriculture development. An approach will be made to ECCAS seeking co-financing for this project, as a basis from which other ECCAS member states can gain experience, leading to the implementation of similar projects in other ECCAS member countries.

We have approached the office of **USAID** in Kinshasa, and discussed the project with their agricultural department. At the present time, they indicated they were not in a position to co-finance a coffee project in Kivu, but they expected to have further information in the coming months and would advise if there was a possibility. They welcomed the new National Strategy for the Revitalisation of the Coffee Sector in D R Congo, which could provide a framework for future possible involvement with the sector. In other countries, it was noted that USAID is working to improve local capacity to produce and effectively market high quality coffee thereby increasing the price farmers earn for their product.
See http://www.usaid.gov/press/factsheets/2004/fs040915.html.

International Fund for Agricultural Development (IFAD) was established in 1977 to finance agricultural development projects primarily for food production in the developing countries. Its goal is to empower poor rural women and men in developing countries to achieve higher incomes and improved food security.
The World Bank is a vital source of financial and technical assistance to developing countries around the world, with a mission to fight poverty. We approached their office in Kinshasa, and at present the Bank does not have a programme for the Provinces concerned with this project.

We also understand that **Technoserve** may be considering a programme to work with farmers in North Kivu to address issues of low productivity. We have approached them to see how this might be linked to the present proposed project.

We have taken contact with the **East Congo Initiative** to discuss possible co-funding

The project has been introduced to the **Gates Foundation** for potential support

Meetings were also held with potential private sector co-financers of this project. These included:
- **Nestle**, Vevey
- **Decotrade** AG, Zug

ANNEX II: Analysis of specific constraints at the provincial level (provinces targeted by the project proposal)

Kivus (North Kivu and South Kivu)

The particularity of the area is that it is, with a relatively limited area around Bunia (Orientale Province), the only Arabica producing area in DRC. Arabica coffees generally have a higher market value than the Robusta coffee varieties, and the premium of arabicas over robustas has increased sharply in the last 18-24 months.

It is difficult to estimate the actual level of coffee production in the Kivus due to the general practice of illegal export and the disorganization of the sector. Current annual volume of Arabica is estimated to reach between 7,200 and 13,000 tons while annual volume of Robusta is about 2 750 to 3600 tons. It is estimated that about 90% of the coffee production emanates from small holders. The average size of an Arabica holding is about 0.8 ha.

The Kivu Arabica coffee (bourbon variety) is potentially of a very high quality. It used to be produced on a combination of large colonial estates and on small plots by Congolese smallholders. The estates each had their own large scale coffee washing stations where they would process both their own coffee and cherries purchased from surrounding smallholders. Coffee was classified by the ONC in grades from Kivu 1 to Kivu 10. Grades 1 to 3 were the finest fully washed coffees, whose quality rivalled that of other East African origins including Kenya. Today, most coffee is usually processed on the farms, using rudimentary equipment. Locally made pulpers, or pestle and mortars are used to remove the cherry. The coffee is often washed with dirty water. The parchment coffee is dried on mats or directly on the ground without proper care, resulting in a low grade product with very variable cup quality.

The table below provides an indication of the key information regarding the coffee sector in North and South Kivu. Those figures should be treated with caution since they are only estimates in the absence of official figures.

	South Kivu	North Kivu	Total
Annual Arabica production (tons of green coffee)	1,500 to 3,000	5,700 to 10,000	7,200 to 13,000
Annual Robusta production (tons of green coffee)	250 to 600	2 500 to 3,000	2 750 to 3 600
Official exports for Arabica, 2010 campaign (tons of green coffee)	1,100	3,350	4,450
Estimated illegal exports tons of green coffee)	625 to 2,000	1,875 to 6,000	2,500 to 8,000
Planted area (ha)	10,000 to 20,000 ha	40,000 to 60,000 ha	50,000 to 80,000 ha
Number of households involved in coffee production	15,000 to 25,000	50,000 to 75,000	65,000 to 100,000

SWOT Analysis for the coffee sector in South Kivu

This analysis was conducted by the local stakeholders themselves during a participatory diagnostic exercise conducted in January 2011.

STRENGTHS	WEAKNESSES
Production: - favourable climate and altitude for both Arabica and Robusta - Availability of spaces for the cultivation of coffee - Possible association of coffee with other legume crops , peanut, soybean, small weight bananas, palms - Population motivated to cultivate coffee - Availability of a research centre (INERA) Processing: - Availability of red cherries - Presence of water - Availability of solar energy, space for drying coffee, space for factories and local workforce Marketing: - Existence of cooperatives - Potential quality of the local coffee varieties - Availability of both Arabica and Robusta Sector Governance: - Process to gather coffee farmers into organizations - Political will to revive the coffee sector - National coffee strategy and implementation plans - Presence of local NGOs such as AFPDE - Availability of legal texts	Production - Lack of agricultural inputs (improved seeds , farming tools, phytosanitary products) - absence of coffee nurseries - weakness in the extension services - Lack of agricultural credit - Lack of a framework of coordination for the value chain (before Café Africa) - Non-development of plantations abandoned by the new buyers - Lack of awareness in the media - Variety of Arabica outdated Processing - Insufficiency of: Processing machines Technical Information on processing techniques Coffee factories Roasting plants - Lack of: Electricity supply Modern washing stations Laboratory analysis and certification Packaging Agricultural credit to facilitate the transformation/processing Skilled manpower Marketing - Fraud and illegal exports - Absence of pre-financing - Lack of storage facilities - Poor roads to evacuate the coffee; - Inadequate processing of coffee; - Weakness of the cooperatives - Harassment and difficulties created by the various authorities; - Too many taxes on coffee; - Lack of financial support from the state to coffee farmers

	- Lack of visibility of the Congolese coffee at the international level; - No information about the coffee world; - No micro-credit; Sector Governance: - Absence of financial means for ONC - Multiplication of Taxes and barriers - Poor awareness on legal regulations - Small size of coffee farms - Outdated coffee classification - No cupping laboratory at ONC - Only few exporters - illegal exports - Problems on land ownership - Weakness of the state and research institutions - Disorganization of the coffee marketing chain - Taxes on agricultural inputs - Congolese coffee is not recognized anymore as an appellation - Weak quality control on coffee mould
OPPORTUNITIES Production: - Growth in global demand - Interest for the growing of coffee - Commitment of the state to support the cultivation of the coffee Processing: - Possibility to import technologies and knowhow from neighbouring countries - Demand for quality coffee on the markets Marketing: - Fair trade and organic certifications - The new national coffee strategy - Support from international partners and the ONC Sector Governance: - Support from Café Africa - Decentralization process - Involvement at the grassroots level	THREATS Production: - Extension of diseases and pests including CWD - lack of buyers - multiplicity of taxes - weakness in prices on the local market and imposition of prices by the opportunistic buyers - Absence of proper regulation of the coffee market - degradation of the variety present in the fields Processing: - Insecurity - Fraud and illegal exports (strong demand from neighbouring countries) - Multiplicity of taxes and barriers - Absence of maintenance and inadequate care of existing machinery Marketing:

- Tax regulations - Change in the mentality of the ONC - Involvement of the private sector - Capacity building for the local actors	- Same as for processing Sector Governance: - Financial mismanagement - Corruption - Weak controls at the international borders - Poor law enforcement by authorities - Lack of an institution to authorize products

Specific constraints in North Kivu

Below is the list of the constraints as indentified by the local stakeholders during a participatory workshop in 2010.

1. Production

Land

- demographic pressure;
- Reluctance of landowners to sell land for perennial crops;
- Conversion of former plantations into pasture crops;
- Land disputes;
- Lack of land use plan for the sector of the province of North Kivu;
- Remoteness of land not yet exploited;
- Land available is infertile;
- Illegal occupation of plantations by local people
- Little awareness on the new Agricultural Code

Plant and seeds

- Degeneration of planting material;
- Weakness regarding the Introduction, production, multiplication and dissemination of improved plant materials;
- Introduction of non-certified seeds (control);
- No research stations in the province of North Kivu for coffee

Coffee farms

- Ageing of plantations
- Conversion of plantation crops into pastures;
- Inadequate agronomic supervision;
- No farm mechanization;
- High cost of labour;
- Rural exodus;
- Destruction of the quasi-totality of robusta coffee plantations by CWD;
- Little information to producers on prices of agricultural products, agricultural research and statistics;
- Weak organization of producers and the industry;

- Little accessibility of producers to agricultural inputs;
- Abandonment of the old plantations of robusta coffee, which became the focus of disease;
- Little awareness of quality standards among producers;
- Coffee farmers do not taste/drink their own coffee
- No financing;
- Deterioration of agricultural products due to poor processing, packaging and storage;
- The price of coffee is less remunerative;
- Insufficient volume of production;
- No mechanisms for risk management

2. Processing

Harvesting
- picking cherries before maturity;
- Cherry attacked by the disease.

Drying
- Drying on the bare ground;
- Drying time too short;
- No protection of drying areas.

Depulping
- Lack of machinery

Storage
- Blend coffee from all origins and quality;
- Development of fungi;
- Fermentation

Evacuation
- The product is not protected against the weather;
- Deteriorating roads

Factory
- Failure to meet construction standards for factories;
- Difficulty in acquiring spare parts for machinery;
- High cost of fuel

Waste disposal
- Use of non-standard weighing instruments;
- Pollution of the surrounding water sources

Roasting

- Lack of roasting equipment;
- Mixture of foreign matter in coffee;
- Packaging is inappropriate;
- Insufficient monitoring/control mechanisms;
- Lack of culture of coffee consumption.

3. Marketing

Coffee farm level

- Low buying price (official price)
- Presence of too many intermediaries between producer and exporter
- Lack of price information
- Dilapidated state of the road infrastructures
- Price inferior to those of Uganda and Rwanda
- Poverty of the coffee farmers

Exporter level

- Exporters are overwhelmed by a great number and variety of legal and illegal taxes
- There are too many procedures and rules and the authorities are quite slow to react
- No system to finance coffee activity
- Dumping and unfair competition from the informal sector which benefits from the great number of taxes and legal procedures
- Transportation of goods is not controlled, particularly in the Virunga Park
- Some port of exports are not officially recognized such as Kyavinyonge, Kisaka, Kamandi, Muramba,...
- Contracts are not respected (quality, quantity, shipment, documents etc.)

Domestic roaster level

- There is no coffee consumption culture in DRC
- The development of poverty prevents coffee consumption

4. Sector Governance

The main problem has to do with taxes and "tracasseries": all the harassment and interventions by state and local authorities that prevent the private sector from operating.

It affects economic actors at the following stages:

- Drying
- Hulling
- Transportation (Police de roulage, bordereau d'expédition, transport des militaires, taxe de commerce extérieur en Province Orientale, taxe de résidence exigée aux cyclistes, frais de manutention obligatoire en faveur de l'association des manutentionnaires, frais de pointage par les agronomes au déchargement, ANR,...)
- Coffee factory (taxe d'environnement et conservation de la nature, économie, énergie, IMPEA, taxe sur la pollution, recensement, taxe unique / commune, taxe sur eaux souterraines/mines, anti-fraude)
- Exports (3% taxation on exports / ONC ; DGM (Direction Générale des Migrations) ;OCC + ONC + OFIDA ; Double taxation pour le trésor public et la province.)

Annex III: National Coffee Sector Strategy (2011-2015) *French language*