



Organización Internacional del Café
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Summary report on mission findings

Pilot rehabilitation of neglected coffee plantations into small family production units in Angola

Background

1. This document contains a summary report of mission findings from a visit carried out by a consultant appointed by the Common fund for Commodities (CFC) in July 2005 with the aim of completing all necessary preconditions to be fulfilled for this project to be effectively implemented.
2. The consultant visited Angola and for 40 working days assisted the Government of Angola (GOA) and the Project Executing Agency (PEA): *Instituto Nacional de Café de Angola* (INCA) with the design and setting up of the project's legal, institutional, financial and operative framework.
3. The mission found that project objectives were still valid, Government commitment and project partner's motivation still strong.

Action

The Council is requested to note this report.

SUMMARY REPORT ON MISSION FINDINGS

CFC/ICO/15 Project: Pilot rehabilitation of neglected coffee plantations into small family production units in Angola

Background

1. The primary objective of the project is to allocate abandoned coffee estates and subdivide them into coffee family production units. The project seeks to provide technical assistance to the resettled farmers in all aspects of coffee production, processing and marketing.
2. Since the project was approved in October 2000, a number of important changes have been introduced to the financial and management arrangements of the project. In particular, initial co-financing pledged by the European Union (EU) has been withdrawn and the Government of Angola (GOA) has committed to provide the necessary co-financing. In addition, the original PEA, the UNOPS, has been replaced by the *Instituto Nacional de Café de Angola* (INCA). Therefore, the legal, institutional, financial and technical framework of the project should be revised accordingly by the consultant.
3. Since the end of the war, coffee has been increasingly seen as a means of increasing revenues of the poor and settling Internally-Displaced Persons (IDPs). Despite its oil resources and a per capita income of US\$1,550 (mid-2005), Angola is still classified as a low income country under stress due to the post-war reconstruction. A mission taken to Angola between 2 to 23 July 2005 found that project objectives were still valid, Government commitment and project partner's motivation still strong.

Relevant objectives of the mission

4. The mission reassessed financing arrangements, production and marketing conditions as well as safeguards for project implementation.
- Project rationale: The project will not only provide a source of income to the rural poor but over the long term, it will encourage IDPs to settle. Unlike food aid that may encourage dependency, financing cash crops such as coffee is a way of alleviating poverty. The project, which will reach 20,000 people, also spearheaded donors' thinking.
 - Government commitment: Meetings with the Minister of Agriculture, the Deputy Minister of Agriculture and the Director of Planning showed continuous interest and strong government commitment to the project, and the desire to develop other sectors than oil. The authorities made public statements regarding the role of the project in

coffee rehabilitation. However, good roads are key to the success of the project and progress in this area should be monitored, as it is likely to affect production and commercialisation.

- New financial arrangements: In 2000, the Ministry of Planning confirmed in writing to CFC that it would guarantee the loan of US\$2.76 million. This was followed by a letter to the CFC in 2004 indicating that Angola would take over the EU contribution (for a total of US\$3.78 million). Both the co-financing as well as government guarantee will need to be updated.
- Project length: A period of three (3) years seems short especially since the first seedlings must be ready for planting around October 2005 (otherwise, a 6 to 12-month delay can be expected). At this time, it is considered that the project will start at best in December 2005, once all the Conditions Precedent (CPs) to Disbursement are met.

Production

5. Yields per hectare remain the same as five years ago. In most villages, producers are organised in associations, however, each member works on his/her own plot (1 to 4 ha). Some associations had 300 ha for 81 members, others 250 ha for 107 members or 390 ha with 850 members. Most associations had land titles for periods up to 5 years, renewable. All farmers need assistance before the rainy season.

Marketing

6. With the breakdown of the entire trading system due to the war, the network is being timidly rebuilt, with a few warehouses in main centres such as Gabela. Traders buy coffee from the farmers, at prices not always respecting INCA's minimum price. INCA is trying to enforce its decisions by having PROCAFE buy the coffee at its price.

Project implementation

7. A Steering Committee (SC), consisting of INCA, Ministry of Agriculture and Non-Governmental Organisations (NGOs) CLUSA and OIKOS Credit will be put in place. A strong Project Management Unit (PMU), headed by a Chief Technical Adviser (CTA) who will manage the project on a daily basis and report to the PEA (INCA), the ICO and the CFC.

8. Loan signing will take place as soon as the following conditions are met:

- Updated written confirmation of the US\$3.7 million
- Signing of MOU between INCA and NGOs (OIKOS and CLUSA) as well as PROCAFE, outlining the role and responsibility of each party under the agreement.
- The CTA has been formally designated by the CFC, ICO and INCA.
- The bank account(s) are to be opened in either BFA or BPC¹.

Loan management

9. For a maximisation of the loan benefits, the following arrangement will be put in place:

- INCA will receive US\$1.3 million, part of which will finance equipment and the bulk channelled through PROCAFE² for tools and equipment sold to farmers. PROCAFE will sell on credit to farmers against their production, avoiding any subsidised scheme. PROCAFE will provide the detailed calculation of the rate at which it extends such loans.
- OIKOS CREDIT and CLUSA: Both NGOs are very successful in the project area and will each receive US\$500,000 for microcredit. They operate schemes where farmers can buy tools, seeds and fertilisers on credit after having grouped in an association and undergone training in basic management, basic health and education. Loans range between US\$350-US\$500 and a deposit of 5% is made to the Bank as guarantee. They achieve between 80% to 100% repayment rate by working with farmers on a trust basis.
- Banks would charge between 8% to 12% a year to manage the US\$500,000 line of credit on behalf of the CFC.
- A loan of US\$460,000 will be made directly available to BFA or BPC, for on-lending to coffee traders (marketing component).

Other issues

- The Angolan counterpart is asking whether the Loan Agreement could be translated into Portuguese, as it will be signed by official Government representatives.
- The PEA will write a letter to the Ministry of Finance, through the Ministry of Agriculture, detailing the list of project equipment concerned subject to tax exemption, and requesting such an exemption.

¹ Banco de Fomento Angola (BFA) or Banco de Poupança e Crédito (BPC)

² Parastatal in charge of commercialisation