



International Coffee Organization
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Report

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**Strengthening the commercial, financial,
management and business capacity of
small coffee producers/exporters
in Mexico and Nicaragua**

Progress report, April – June 2005

Background

The attached document contains a summary of relevant implementation achievements and constraints for the second quarter of 2005 for the project “Strengthening the commercial, financial, management and business capacity of small coffee producers/exporters in Mexico and Nicaragua”, which concluded in June 2005. A copy of the full progress report is available to Members on request. This document should be read in conjunction with the final report (document ICC-95-7).

Action

The Council is requested to note this report.

PROJECT PROGRESS REPORT



“Strengthening the Commercial, Financial, Management and Business Capacity of Small Coffee Producers/Exporters” Project Report No. 14. Project Code ICO/CFC/16



ICO/CFC/TWIN



I. PROJECT SUMMARY

1. **Title:** “Strengthening the Commercial, Financial, Management and Business Capacity of Small Coffee Producers / Exporters”
2. **Number:** ICO/CFC/16
3. **Project Executing Agency (PEA):** Twin / Twin Trading
4. **Location:** Mexico and Nicaragua
5. **Start date:** 01/01/02
6. **Completion date:** 31/12/04 **extended to:** 30/06/05
7. **Financing:**
 - **Total project cost:** USD5,330,280
of which:
 - **CFC financing (Grant):** USD 910,193
 - **Co-financing:** USD3,275,000
 - **Twin:** USD 193,450
 - **Co-financing (via Twin):** USD 170,100
 - **Counterpart contribution:** USD 781,537

Period covered by this report: from 01/04/05 to 30/06/05

Periods covered by previous reports: 01/01/02-31/03/05

Report No: 14

II. Status of project

Assessment of technical progress

This quarter was the last of the project. The PEA had requested an extension of six months until June 2005, to be able to conclude yet another full harvest season, thus making up for the delays at the start of the project. This extension was agreed, but had to be realised within the same budget; a deficit for 2005 was foreseen and the PEA made arrangements to cover the projected deficit.

There was some discussion about the work plan and budget half way through the first quarter and later on over the interpretation some of the budget lines, particularly regarding the use of contingency funds. An agreement was only reached in May 2005 and resulted in a considerable increase of the deficit and claims on the PEA's own resources. Where necessary and possible the commitments that had already been made were honoured, increasing the claims on the PEA's own resources, such as the cooperative management course in Nicaragua that will conclude in December 2005, but other activities were cancelled or postponed.

The main activity that was cancelled was the exchange planned in June 2005 in Mexico, to conclude and evaluate the project and agree on the follow up. This was to be combined with some workshops on market trends, risk management and quality control systems/gourmet coffee. Funds are being raised to organise this event at a later date.

A shorter version of the risk management workshop was held at the SCAA in April 2005, based on the learning from the practices of the cooperatives Twin works with, along with a simulation on price fixing strategies directed by a consultant from the World Bank. Over 90 producer representatives from a range of countries participated in two groups, along with other players in the business (buyers, financiers, etc.) and greatly appreciated the presentations and exercises, at a time when the market is difficult to manage. A four day workshop on risk management was organised by one of the PEA team members in May 2005 in Guatemala, with the participation of four Mexican core cooperatives participating in the project. This workshop was also greatly appreciated.

The first stage of the zoning / traceability pilots was concluded in May and the quality control systems were further developed. As in 2004 the Nicaraguan cooperatives, with support from the project, were highly successful at the Cup of Excellence contest, with 13 out of the 35 receiving the highest rating, including the winner, a clear indication of the progress that has been made on quality.

In June 2005 several of the core cooperatives and the peripheral groups they attend held workshops and meetings to review their general and commercial strategies. The PEA team helped to facilitate these workshops and to provide input. A follow up event and other workshops are planned before starting the new season. These are important to follow up the work developed during the project period, to ensure the impact will be more sustainable.

Considerable effort during this period was paid to the systematisation of all the work done during the project period and to gathering the information for the project evaluation. The latter

turned out somewhat difficult as some cooperatives from Nicaragua could not respond within the deadline, because their teams had to consult all members on the impact of the new cooperative law and the legal and organisational modifications it would require, in the middle of a strategic planning process.

The systematisation continues to demand much more time than was planned, not only because of the wealth of experiences and materials available and the need to select the most relevant of these, but also because the PEA is struggling with the best way to make these available, firstly to the cooperatives that participated in the project and also to smallholder groups in other parts of the world. We have started exploring the possibility of a web-based training facility, so that the modules are easily accessible and can be updated by the users, as a permanent learning process.

The ICO decided to contract a consultant to write a manual based on the project experiences and materials.

Assessment of Project Co-ordination and Management:

See above. The different interpretations of the project budget proved a major setback for the proper conclusion of the project activities in 2005.

Social and Environmental Effects of Project Implementation:

No new facts to be reported.

Forward Planning of Project Implementation:

As the systematisation and evaluation had not concluded by the end of June 2005, the PEA had to contract part of the project staff for an additional three months, with its own resources.

Conclusions and Recommendations

Once the manuals are ready it is recommended that there should be a review of the different ways of making them available to a wide range of producer cooperatives and others who may be interested, its dissemination and a trainers programme to replicate the materials.