



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

WP Board 1023/07

5 January 2007
Original: English

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Projects/Common Fund

Executive Board
24 and 26 January 2007
London, England

**Building capacity for coffee certification
and verification in Eastern Africa**

Project proposal

Background

1. This document has been submitted by the Eastern African Fine Coffees Association (EAFCA) and contains a summary of a project proposal aimed at developing regional capacity for emerging sustainability initiatives. This is intended to improve the livelihoods of coffee growers and other stakeholders through demand driven services in the field of coffee certification and verification. A copy of the full proposal is available from the Secretariat on request.

2. The proposal was examined by the Virtual Screening Committee (VSC) in November 2006 and the VSC's recommendations (contained in document EB-3923/07) will be considered by the Executive Board at its meeting in January 2007.

Action

The Executive Board is requested to consider this proposal and the comments and recommendations of the Virtual Screening Committee and to submit a recommendation to the Council.

PROJECT SUMMARY

- Project title:** Building capacity for coffee certification and verification in Eastern Africa.
- Duration:** Five years
- Location:** Burundi, Democratic Republic of Congo, Ethiopia, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe.
- Nature of the project:** Building capacity for coffee certification and verification in Eastern Africa through training for internationally recognised professionals, the creation of a regional centre for certification and an outreach programme to ensure the active participation of producer groups. This will lead to an increase in income generated, via value added coffees, thereby improving the livelihoods of coffee growers, their families and other stakeholders.
- Brief description:** The project aims to develop regional capacity for emerging sustainability initiatives intended to improve the livelihoods of coffee growers and other stakeholders through demand driven services in the field of coffee certification and verification. It will target capacity building within the Eastern African coffee growing region by creating a cadre of African-based certification professionals, networked through EAFCA. The project will develop a Centre for Coffee Certification in EAFCA that will organize professional training and manage outreach programmes. Consumers throughout the coffee supply chain are demanding “branded” sustainable coffee but there is a yawning gap between desire and reality in coffee producing regions. The coffee supply chain starts with growers and there is a great need to develop capacity in this sector before moving up the line through wet processors, dry processors, roasters, exporters etc. In this way, Eastern African farmers and other stakeholders can be empowered to produce not only higher quality coffee, but also coffee that is produced with attention to social, economic, and environmental concerns.

In order to build capacity within EAFCA, training of locally based experts is essential. Best practices and management of the supply chain will be enhanced by the training of local consultants, certifiers, verifiers, auditors and inspectors.

Estimated total cost:	US\$2,868,762
Financing sought from CFC:	US\$2,868,762 including secretariat support of 12% (US\$287,029) and 5% contingency (US\$136,608)
Co-financing by other sources:	tbd. The project will have significant buy-in through training fees, certification fees, and value of participation.
Mode of financing:	Grant
Counterpart contributions:	tbd
Project Executing Agency:	Eastern African Fine Coffees Association (EAFCA)
Collaborating agencies:	Several including Government Ministries in charge of coffee, coffee research centres, Coffee Research Network (CORNET), Coffee Quality Institute (CQI), Regional Agricultural Information Network (RAIN), African Coffee Research Network (ACRN), Eastern and Central Africa Programme on Agricultural Policy Analysis (ECAPAPA), Specialty Coffee Association of America (SCAA), Specialty Coffee Association of Europe (SCAE), Specialty Coffee Association of Japan (SCAJ), National Bureaux of Statistics, all existing and yet to exist coffee certification and verification initiatives in the Eastern African region and beyond, certification and verification training and examining bodies such as the United Kingdom Accreditation Service (UKAS), and DAP of Germany (German Accreditation System for Testing), the apex certification body i.e. International Accreditation Forum, Inc. (IAF Inc.).
Supervising Body:	International Coffee Organization (ICO)
Approval date:	tbd

Project Concept

It is generally recognised that coffee plays a vital role in the sustainable development of many developing countries in Sub-Saharan Africa. Not only do countries such as Burundi, Ethiopia, Rwanda and Uganda depend on coffee for a large portion of their export earnings, but coffee also provides a vital source of income to several million coffee growers, farm workers and their families.

In a recent CFC/ICO funded study conducted by EAFCA regarding coffee certification/verification initiatives in Eastern Africa, it is reported that there are several sustainable coffee initiatives within the Eastern African region, most of which are little known at both the country and region levels. The study recommends the development of sustainable coffee capacity within the region that is internationally recognized and accepted. It also supports the creation of a “Centre of coffee certification and verification” that would provide regional intellectual leadership, information, and programme implementation under the auspices of the Eastern African Fine Coffees Association (EAFCA), and would form linkages with key organizations such as CORNET to ensure regional scientific and business contributions.

The ICO endorsed a preliminary project for financing by the CFC in line with the CFC’s policy on “sustainable coffee economy” which was conducted by an independent fine coffees consultant (IFCC) and published in July 2005. The ICO also circulated document ICC-95-1 in March 2006, to all its Members which includes an Executive Summary of the final report prepared by the IFCC for the project entitled “Sustainable coffee development in Eastern Africa”.

Summary cost table by components

Project component	CFC contribution	Total cost
1. Establishing a sustainability department within EAFCA called the Centre for Coffee Certification	\$1,460,625	tbd
2. Training of certifiers/verifiers	\$ 688,500	tbd
3. Outreach programme and outreach fund	\$296,000	tbd
4. EAFCA Secretariat Support (management and administration)	\$287,029	
5. Project contingency 5%	US\$136,608	
Total cost (over 5 years)	\$2,868,762	tbd

Logical Framework

Narrative summary	Verifiable indicators	Means of verification	Assumptions
<p>Broad goals: To build capacity within Eastern Africa and beyond, for professionally certifying/verifying sustainable coffee</p>	<ol style="list-style-type: none"> 1. An increase in the quality, production and export of Eastern African coffees that are certified/verified 2. Improved foreign exchange earnings from sustainable verified/certified coffee exported 3. Livelihoods of coffee growers and other stakeholders improved 	<ol style="list-style-type: none"> 1. Export/financial data/statistics from growers and other stakeholders in participating member countries 2. Impact and evaluation reports 	<ol style="list-style-type: none"> 1. Reasonable price premiums obtained from top-cupping sustainable coffee that are also certified/verified 2. Quality of life and quality of the environment visibly improved 3. Political commitment to support sustainable coffee economy using the three pillars of sustainable development
<p>Project purpose: To increase the value, quality and quantity of certified/verified coffee, produced and processed within the Eastern African coffee producing region of Africa</p>	<ol style="list-style-type: none"> 1. Premiums obtained from certified/verified coffees that are of good quality 2. Increased demand for coffees meeting minimum criteria for certified/verified Eastern African coffees 	<ol style="list-style-type: none"> 1. National data on prices for certified/verified sustainable coffees and all other coffee data 2. Reports on cup quality of certified/verified sustainable coffee within the Eastern African region 	<ol style="list-style-type: none"> 1. Improved quality and marketability of sustainable coffee is reflected in price premiums paid to growers 2. Consumers/importers and roasters are aware and appreciative of quality coffee that is produced sustainably 3. Increasing demand for certified/verified coffee 4. Farmers are willing, able and prepared to collaborate with sustainable coffee programmes at this level, e.g. providing parchment or green coffee samples for cup evaluation when requested to do so
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Viability and sustainability of EAFCA support for public-private sector driven coffee verification/certification initiatives demonstrated 2. Exports of certified/verified African coffee improved consistently in value, quality and quantity 3. Benefits of certified/verified coffee promoted through training and dissemination of market driven information 4. Proposal for provision of capacity for training certifiers, verifiers, inspectors, auditors and consultants being converted by EAFCA, within two or three years developed on a commercial basis 5. Proposed trainees to execute certification/verification coffee programmes effectively, professionally and efficiently 	<ol style="list-style-type: none"> 1. Development and early establishment of Centre for Coffee Certification within EAFCA 2. Volume of exported certified coffee increases by 25% by year five 3. 70 or more sustainable coffee professionals trained and operational by year two or three 4. Sufficient farmers/traders and other stakeholders trained and join sustainable programme by year five 5. Fifty farmer groups assisted through outreach programme 	<ol style="list-style-type: none"> 1. Audit of growers, farmer associations or cooperative unions and societies 2. Progress report on the regional coffee certification/verification project 3. Dissemination by EAFCA of sustainable coffee verification/certification related materials 	<ol style="list-style-type: none"> 1. Farmers and other stakeholders willing to collaborate with sustainable development professionals at this level 2. Farmers adopt sustainability initiatives in the field of coffee 3. Buyers are willing to pay a premium price for coffee that is produced and processed sustainably 4. Competitive internal market environment ensuring that traders and marketing agents pass on the benefits to farmers in a timely and dependable manner 5. Private sector operators take an interest in regional coffee certification/verification project

<p>Inputs: Activities</p> <ol style="list-style-type: none"> 1.1 Establish sustainable coffee training capacity under the auspices of EAFCA 1.2 Identify and select suitable collaborating partners in participating countries 1.3 Determine and select trainees for sustainable coffee consultants, certifiers, verifiers, auditors and inspectors, 1.4 Train owners/operators of coffee farms, processors, etc on sustainable coffee certification/verification 1.5 Monitor and evaluate cost-benefits associated with various sustainable coffee initiatives and their efficacy within the region 1.6 Evaluate the cup and green coffee quality in relation to various sustainable coffee initiatives 1.7 Assist stakeholders in identifying appropriate marketing channels for certified/verified coffee both in the niche and mainstream coffee markets 1.8 Identify and select suitable areas and farmer groups growing coffees that meet special sustainable certification/verification criteria 1.9 Raise awareness of potential economic, social and environmental benefits associated with sustainable coffee certification/verification 2.0 Train coffee farmers, extension officers and traders and other stakeholders on sustainable coffee initiatives 2.1 Promote economic, social and environmental benefits of being involved in coffee certification/verification programmes 2.2 Organise stakeholders meetings on a regular basis in participating countries 2.3 Establish and implement effective communication channels between EAFCA, ICO, CFC and others 2.4 Establish and implement sustainable administration and accounting procedures 2.5 Develop detailed annual work-plans and budgets within EAFCA in relation to coffee verification and certification 2.6 Source and provide technical support from outside the EAFCA region 2.7 Prepare regular reports to the ICO, CFC and other relevant bodies/stakeholders 2.8 Organise supervision missions for ICO, CFC and others that stakeholders feel are appropriate and relevant <p>Inputs: Types of resources EAFCA to create capacity within budgetary limits, for training, technical, scientific and administrative support</p>	<p>Component 1: US\$1,460,625 over five years</p> <p>Component 2: US\$688,500 over the first two years to train 70 professional certifiers</p> <p>Component 3: US\$296,000 over the last four years to reach and assist 50 producer groups and increase volume of exported certified coffee by 25%</p> <p>Grand total = US\$2,868,762 inclusive of Secretariat support (US\$287,029) and contingency (US\$136,608)</p>	<ol style="list-style-type: none"> 1. PEA Project Progress Reports; 2. Annual Audit Reports 3. Mid-Term Review and Project Completion Review 4. Periodic reports from EAFCA's sustainable coffee coordinator, the PIAs, consultants and any regional visits to assess the progress of the coffee certification/verification projects 	<ol style="list-style-type: none"> 1. Financing from CFC and any other sources is made on a timely basis in line with proposed activities and Annual Work-plan/ Budget 2. EAFCA, the PEA, collaborating institutions co-ordinate and execute the project efficiently, professionally and effectively 3. All project participants remain committed to the purpose of the sustainable coffee project
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Projects/Common Fund

Executive Board
264th meeting
24 May 2007
London, England

**Building capacity for coffee certification
and verification in Eastern Africa**

**Project proposal – communication from
EAFCA**

Background

1. The attached communication has been received from the Eastern African Fine Coffees Association (EAFCA) in response to issues and questions on the project proposal entitled “Building capacity for coffee certification and verification in Eastern Africa” which were raised by the Virtual Screening Committee (VSC) in November 2006 and subsequently by the Executive Board at its meeting in January 2007. The comments of the VSC and the Executive Board are contained in documents EB-3923/07 and EB-3926/07, respectively. It may be noted that the overall recommendation of the VSC was that the project should be approved in principle. However, the Executive Board noted that the project should be revised to address concerns raised by the VSC and by exporting Members before being reviewed at its next meeting.

2. A revised proposal incorporating all the issues and comments made by the VSC and the Executive Board has been submitted by EAFCA and a copy of this is available from the Secretariat on request.

Action

The Executive Board is requested to consider this communication and to submit a recommendation to the Council.

EASTERN AFRICAN FINES COFFEES ASSOCIATION'S (EAFCA) RESPONSE TO ICO VSC COMMENTS

**Project title: Building capacity for coffee certification
and verification in Eastern Africa**

(Issue 1 and Question 1 are similar so are answered together).

Issue 1

EAFCA should outline how the proposed “full service centre for coffee certification” will be transferred into an independent entity at the end of the project. The experiences of other organizations (e.g. Rainforest Alliance) suggest that certification and support for coffee growers have to be provided by independent entities to guarantee recognition of the certification in international markets.

Question 1

Since there are many sustainable coffee initiatives being implemented in this region, is there a common standard for certification/verification? In other words, is EAFCA formulating and teaching its own certification standards, or using certification standards accepted by major buyers of sustainable coffee? There is little information about input or liaison with major buyers, so the CFC would want to be assured that EAFCA is not developing a competing standard which could end up being rejected by the industry.

Response to issue 1 and question 1:

We would like to be clear to the VSC that EAFCA is not creating or developing an independent “African” certification program, but rather, is creating a “support unit” within EAFCA that will perform the important function of local and regional capacity building to enable smallholder coffee producers to access and utilize the existing (and future) programs of the recognized certification agencies at an affordable cost. EAFCA is known to, and recognized by many, of the major programs including 4cs, fair-trade, Rainforest Alliance, Utz Kapeh, and Café Practices, as well as the various organic programs. When the program starts, EAFCA will immediately begin the mobilization of these programs and will include them in work planning and other program design efforts. It may be appropriate to form a steering committee in the early stages to allow for appropriate input and

partnership in the program.

EAFCA does recognize that certification programs are both market and production systems driven, and that this program will help explain, among many other issues, the market and production advantages to a smallholder producer. Sustainable farming is stressed equally with market factors and it is intended that certified farmers will be better farmers incorporating new skills and techniques that address the economics of farming, social concerns, environmental protection and finally, market relations. Such improved farming knowledge through certification programs will result in improved yields, higher quality product, cost effective input use, and will increase farm revenue.

Once the project has been completed, a scaled down version of the “support unit” will remain to continue the process of intelligence/information collection and dissemination, communication, website management, program to program - and farmer to program linkage, economic/market analysis, and perhaps through smaller grants, continued farmer outreach. It also anticipated that EAFCA will form MOU agreements with leading certification partners to deliver on-going services to members under special arrangements that provide commercial benefits and incentives (fee discounts for website usage, access to the EAFCA trade directory, etc.)

**Issue 2:
Gender issues need to be addressed.**

Response to issue 2:

The VSC is quite correct that gender issues have not been explicitly discussed in the proposal and we apologize for this oversight. EAFCA has the following article in its bylaws:

“To encourage sound business acumen, professional practice, consciousness to the environment, and recognition of social and socio-economic issues related to the regional coffee trade and industry”

Although gender is not specifically mentioned in the bylaws, EAFCA does recognize the importance of social issues relating to the industry including gender, child labor, and worker conditions and others, many of which are part and partial of the sustainability program and certification efforts.

In regards to this program EAFCA will ensure:

1. That gender will be included in the trainee selection process. Although training applicants will be identified through an application process, and many will be proposed through existing agencies and programs, EAFCA will encourage women to apply and will endeavor that women applicants will be approved on merit. It is anticipated that at least 30% (20 out of 70) of those trained will be

female but that figure may be understated.

2. That a significant number of smallholders who will benefit from this program will be women. EAFCA will take special measures to ensure that gender based farmer groups, cooperatives and associations will participate in field programs and that women are included in farmer field events.
3. EAFCA will recruit all members of the team including head office and field staff following appropriate hiring procedures to prevent discrimination.

Question 2:

Who would be the independent assessor of EAFCA's progress and completion of the project? Since it is the implementing agency, there would need to be some objective external assessment. There was some mention of consultants doing this, but who would they report to and who would pay them? If EAFCA expects the ICO to perform this function, does the ICO want to or have the resources to do so?

Response to Question 2:

The International Coffee Organisation is the supervisory body and they will carry out one mission per year to project countries to assess progress. The Common Fund as an Institution will carry out Annual Supervision/Project Review Missions. The mid-term evaluation will be carried out in the middle of the project. Independent Consultants are normally contracted by CFC with expertise in the specific subject to carry out the mid-term and end of project evaluation. They are recruited through an advert on the CFC website and bids are invited. The Common Fund will make adequate provision for Monitoring and Supervision that is normally budgeted by the Common Fund.

Question 3:

Is the division of trainees by country closely correlated to the inherent capacity for coffee production in those countries? EAFCA does not discuss what objective/ subjective criteria were used to allocate the 70 slots for trainees, so it is not clear if the division was fair. The budget shows 70 trainees trained initially, but none in years 3, 4 or 5. Attrition is a likely occurrence, so some replacement trainees should be budgeted for.

Response to question 3:

This answer can be found on page 21 of the proposal: "Based on exportable volumes of coffee to all destinations, the idea is to initially train the following number of auditor per country." To address the attrition issue, we have added an additional training program for year three and four to train another 8 participants,

bringing the total to 78.

- Burundi [4],
- D.R. Congo [4],
- Ethiopia [12],
- Kenya [11],
- Madagascar [5],
- Malawi [2]
- Rwanda [4],
- Tanzania [11],
- Uganda [11],
- Zambia [3]
- Zimbabwe [3].
- Year three [4]
- Year four [4]

Question 4:

Table 6 (Detailed training budget by country for year two) shows differing numbers of auditors, yet the same total cost of trainers, whether there are 8 or 17. Since it is a variable cost, one would expect it to change based on the number of people involved.

Response to question 4:

Training has both fixed and variable costs. Fixed costs include cost of the trainers and the venues which remain fixed regardless of the number of trainees. The budget does reflect the variable costs related to the number of participants at each training (see Table 6).

Question 5:

There is concern about the total budget allocation. 34% of the grant is for training of certifiers/verifiers and outreach and reaching the end recipients – the medium and small growers. 61% is for establishing the Centre and for management and administrative overheads. While the number of Centre staff and their salaries seem modest, the 12% overhead charge and what this covers needs to be clarified. It would be preferable to reverse these ratios, with 61% being spent in the countries, especially since the area to be covered is so vast. If these overhead charges are deemed reasonable, then perhaps the problem is that EAFCA is not asking for enough money to serve their clients in the training and outreach elements, and should increase the amount requested from the CFC or look for alternative funding sources to supplement it.

Response to question 5:

The budget lines for travel are part of the program costs because it is programmatic cost. In such a project that we have proposed, institutional capacity to manage a project is just as important as the operation or service itself. In our case the “support unit” is as much a project deliverable as the field programs. In addition, and in response to the question raised by the VSC, we have re-arranged the budget to better reflect those resources dedicated to specific field operations without increasing the requested budgeted amount.

The training budget has been adjusted to address the trainee “attrition” issues and the amount has been increased by more than 10% to \$770,755. The Outreach Fund has also been increased by 25% to a total of \$160,000. The Fund is intended to improve farmer understanding and facilitate the linkage between them and the most appropriate certification program available to them. The budget now reflects a resource allocation of 57% for out reach programs and 43% for support unit costs.

The 12% or \$301,702 for “Secretariat Support” is to cover costs not billed directly to the project including office accommodation (including rent, security, maintenance, utilities, communication, staff support, and miscellaneous costs including bank fees, insurance, etc. The contingency line item has been removed with funds re-allocated to outreach programs where we believe such funds would have been used anyway.

Not emphasized in the proposal is the participation and “buy-in” value of the certification programs themselves. This multi-million dollar sector, valued in terms of the total certification program funding, certification fees, value of certified coffee that is exported, etc. is the main part of the industry. The EAFCA project intends to use the program funds of \$2.8 million to link as many smallholder producers to this significant sector as possible – and to take five well-planned and executed years to do it.

Question 6:

One Member stated that this project is based on the assumption that certified coffee will get a better price. This theory is contradicted by experience since supply for certified coffee has increased but demand has stagnated. The consequences for the farmers are increasing costs, decreasing yields and average prices; a net loss. We should focus on alternative projects if we want to improve farmers’ incomes.

Answer to Question 6:

EAFCA does not intend to premise or highlight that the only benefit to the program would be that “certified coffee will get a better price”, but it does imply that certification adds value to the farmer in terms of increased market options, improved

farming, and by relation, improved quality. The EAFCA view follows the maxim that all Africa coffees should be certified; and that it is better to be certified than not. Although this is a very ambitious goal, it provides for two key advantages:

- i) It is true that the price advantage may be lost as more coffee becomes certified. But the market advantage is still valid. EAFCA views certification as equivalent to a market visa – you must have one if you want to enter the market. The key issue to understand is the disadvantage to a farmer or farmer group if they are not certified in a market where most coffee is certified. The key point here is market access. With the challenges of market access and more increasingly, stringent import requirements, especially in Europe, Japan, and the United States, combined with an increasing global social awareness by the consumer, the importance of certification becomes clear.
- ii) It is often forgotten that aside from economic considerations, there are key economic, social and environmental issues involved with certification and that the goal of sustainable agriculture has direct and long-term tangible benefits to producers, millers, and traders. Yes, we are concerned about what the end consumer thinks about the social and environmental aspects of the African coffee product and the market implications, but we are equally concerned about the welfare of coffee producers in Africa and how these programs will positively reflect on their lives and livelihoods. As stated in the response to Question 1, EAFCA does recognize that certification programs are both market and production systems driven, and that this program will help explain, among many other issues, the market and production advantages to a smallholder producer. Sustainable farming is stressed equally with market factors and it is intended that certified farmers will be better farmers incorporating new skills and techniques that address the economics of farming, social concerns, environmental protection and finally, market relations. Such improved farming knowledge through certification programs will result in improved yields, higher quality product, cost effective input use, and will increase farm revenue.
- iii) Regarding the comment about alternative projects that would benefit smallholder farmers, EAFCA concurs that smallholder farmers require significant levels of assistance in terms of production, inputs, credit, marketing, institutional capacity, and so forth. EAFCA takes the *regional view* on these issues and must decide what it is best positioned to provide to stakeholders and members that is not being provided on the national level in the field. There numerous national based donors, NGOs, projects and programs in Eastern and Southern Africa that are addressing smallholder constraints. EAFCA is in a unique position to link this proposed program to it already successful marketing and product enhancement initiatives that will compliment the ongoing field programs.