



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

WP Board No. 966/05

25 April 2005
Original: English

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Projects/Common Fund

Executive Board/
International Coffee Council
17 – 20 May 2005
London, England

**Support for the implementation of the
Worldwide Sustainable Coffee Fund**

Background

1. This document contains a summary of a new project proposal aimed at supporting the implementation of the Worldwide Sustainable Coffee Fund.
2. This project proposal has been submitted by Mr. Walter Zwald, Coffee Buying and Consulting, Switzerland. It may be noted that the concept of the Fund has been endorsed formally by a number of Member countries.

Action

The Board is requested to consider this project proposal and, if appropriate, to recommend approval by the Council.

PROJECT SUMMARY

Project title: Support for the implementation of the Worldwide Sustainable Coffee Fund

Duration: 12 months, starting from receipt of the transfer of the funds

Location: The actual projects will be executed in various coffee producing countries in Asia, Africa and Latin America

Nature of the project: Preparation of projects for economic and environmental sustainability practices combined with improved quality in coffee production and processing at a number of producer organizations in different countries.

Brief description: 1) Preparation of projects in several coffee producing countries

The goal of this project is to co-ordinate the concept work, planning, assuring of technical and human resources and financing for the actual implementation. The projects will be planned in various countries to clearly demonstrate that this concept of integral approach can be applied to almost any producer organization worldwide. If implementation is successful, it may be taken as a model to be extended to further producer organizations.

2) The concept of the actual projects is based on an integral approach that provides the farmers involved with improved economic gains through

- (a) cost reduction in production using improved processes, enhanced organization and synergies;
- (b) reduction in cost of sales through direct marketing and professional sales methods; and
- (c) increased income through added value of the products sold (including forward integration).

Concept of the projects to be prepared:

A community of coffee producers, usually through the existing producer organization (co-operatives), shall demonstrate that with efficient work, co-ordination thereof, adequate sales channels and smart planning of the right product mix, financial profits can be achieved even at relatively low market prices. To achieve this, a functioning

social integration is required and in turn the financial profits will further nurture the social sustainable factors of the community. Last but not least, agricultural practices that foster environmental sustainability contribute additionally to a reduction in cost.

Estimated total cost: The cost for the preparation of the projects is estimated at **US\$200,000**

Financing sought from the Common Fund: **US\$120,000** covering personal time, travel expenses and contribution to office expenditure.

Mode of Financing: Grant

Co-financing: None

Counterpart contribution: It can be estimated that the PEA will contribute **US\$80,000**.

Project Executing Agency: Walter Zwald Coffee Buying and Consulting, Switzerland

Supervisory Body: International Coffee Organization (ICO)

Estimated starting date: Summer 2005

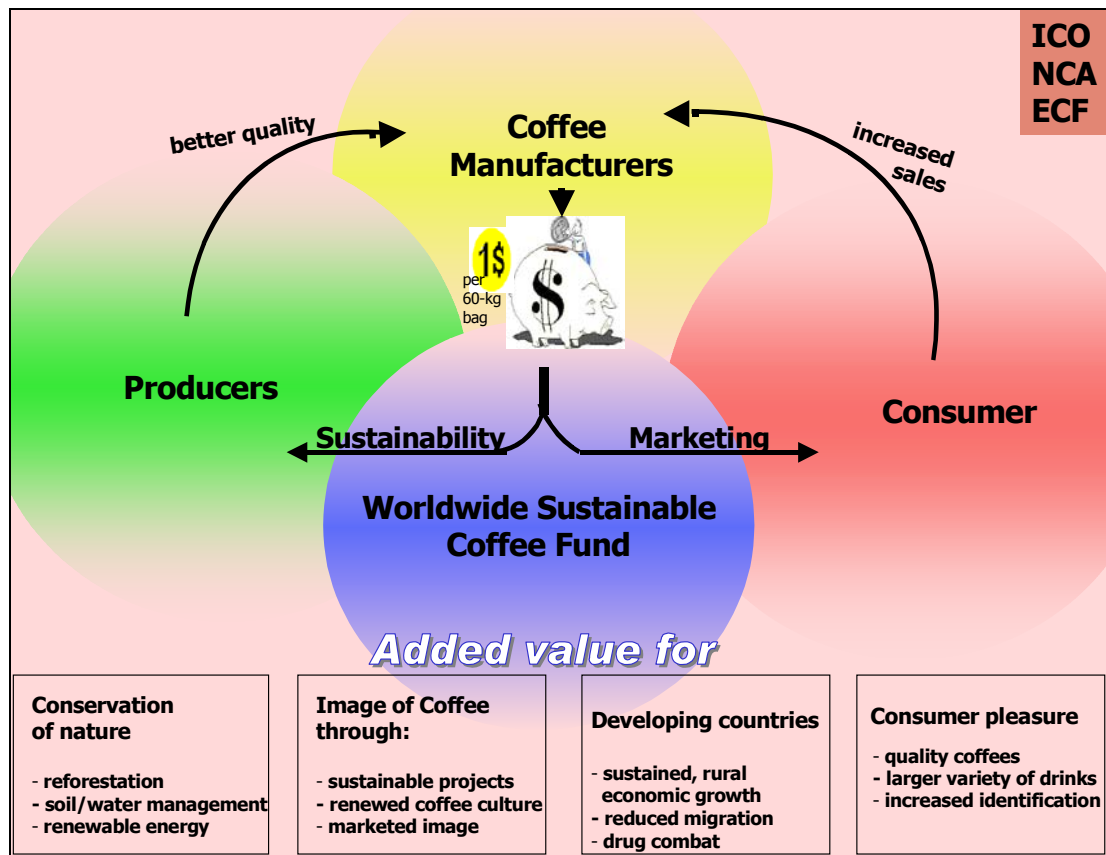
National Governments that stand behind the Coffee Fund:

- Honduras through ORCECA
- Vietnam through Vicofa
- Uganda through Uganda Coffee Development Authority
- Tanzania through Tanzania Coffee Board
- Benin, Cameroon, Central African Republic, Republic of Congo, Equatorial Guinea, Gabon, Madagascar and Togo through OAMCAF – Organisation africaine et malgache du café.

Project logical framework

Narrative summary	Verifiable indicators	Means of verification	Assumptions
<p>Programme goal Prepare for project work, including concept work with partner organizations, co-ordination, assuring human resources and financing.</p>	<p>Measures of goal achievement Conclude planning phase of actual projects.</p>	<p>Complete and detailed documentation of projects, formal agreements for human resources and for financing.</p>	<p>Long term focus Efficient and geared organizations of producer co-operatives combined with more sophisticated approach to position and sell the final products in the international market shall lead to increased profitability of producers.</p>
<p>Project purpose To plan in detail for projects that will prove that with good planning, excellent organization, smart product planning and professional sales activities producer organizations can lead their members to profitability even under below average market prices.</p>	<p>Conditions at end of project A number of projects at producer organizations are ready for implementation. Potentially, legal permits or financing may still be pending at end of project.</p>	<p>Through the final report on this project execution to financing parties.</p>	<p>Affecting purpose to goal link Sustainability (economic, social and environmental) has been implemented at a number of producer organizations worldwide – mostly with mirror to fair-trade activities. This project is about extending the fair-trade thought into the mainstream coffee.</p>
<p>Outputs Formal plan for actual projects, agreements with producer organizations and providers of human and technical resources, solid prospects for financing.</p>	<p>The actual projects should be ready for implementation or close to it. The projects should clearly show overall financial benefits on a long-term bases. Financing or realistic financial prospects should be presented.</p>	<p>Through the paperwork prepared, the agreements signed and offers submitted.</p>	<p>Affecting output to purpose link All parties involved in the actual projects need to be mentioned in the project implementation plan or a formal agreement needs to exist.</p>
<p>Inputs Detailed discussion with officials of producing countries, producer organizations; project proposals; technical and administrative discussion with related organizations, i.e. personal meetings, phone/email.</p>	<p>Expenditure for each activity Estimated \$13,000 for administrative expenses; estimated \$42,000 for travel expenses; estimated \$65,000 for consultancy and travel time.</p>	<p>Semi-annual project report and final report and publication of accounts.</p>	<p>Any cost exceeding the estimates will be borne by the PEA itself. It can be expected that considerable time spent in the project will be contributed on a voluntary bases.</p>

Concept of the Coffee Fund



- Coffee Manufacturers from the coffee consuming countries contribute to the Coffee Fund US\$1.00 per 60 kg bag of green coffee processed.
- The Coffee Fund invests 50% of the contributions for projects in the coffee producing countries for enhanced environmental and social sustainability (agricultural coaching, business management practices for coffee farmers, water & soil management, renewable energies among other aspects) and measurements to increase quality of coffee beans. This part is treated under the “Origin Programme”.
- The Coffee Fund uses 50% of the contributions for promotion of coffee consumption. This “Marketing Programme” targets a renewed coffee culture through education of the public and professionals in the catering sector, tasting opportunities, dissemination of information about health related issues (in co-ordination with Positively Coffee) and about sustainability in the producing countries as well as advertising, where required. Promotion can apply to traditional and non-traditional coffee consuming countries or to coffee producing countries.

Objective of the Origin Programme

To support the ongoing process of

- Quality improvement
- Environmental sustainability
- Economic viability of producers and processing enterprises

Strategy

In collaboration with coffee organizations, we

- Support projects already started
- Undertake new activities and
- Complement projects

Under coffee organizations we understand

- National coffee boards
- Local coffee groupings (e.g. cooperatives)
- International organizations for coffee quality
- The coffee industry
- Scientific research centres
- National Governments
- NGO's

Wherever this documents states “The Coffee Fund” or “we”, it refers to all these organizations and the Coffee Fund management, which participate in a given project.

Approach

The activities will be divided into 4 global areas:

Asia, Africa, South America and Central America/Mexico/Caribbean

Within each area, projects are implemented along the goals of the Coffee Fund. The ideal type of a project is

- **practical**, i.e. it yields some clear defined advances in planting, processing or commercializing coffee, achieved with simple, comprehensible tools and measures
- **executed at the farmer or co-operative level**, where the value is added to the product coffee. Only when the value is added in the origin countries, they also can retain it locally and strengthen the sustainable social structure
- **implemented** by a mixture of coffee people from the country where the project is based and international experts; contributing to fomenting and sharing the best practices

Definition of goals

Below are the individual disciplines in which we will try to achieve the highest standards possible:

Quality aspects

- Harvesting methods (only ripe beans)
- Clean drying patios
- Proper storing & transportation methods
- Cupping skills

Agricultural practices/environmental sustainability

- Coffee plant, growing and caring
- Fertilizing techniques, with a strong inclination towards organic fertilizers
- Pest management
- Soil management
- Post-harvesting processes:
 - Water and waste management
 - Renewable energy for drying process
 - Drying practices (e.g. to avoid OTA)
- Alternative crops
- Reforestation
- Agricultural administration

Administrative practices (mostly on producer organizations level)

- Co-ordination for transportation and storage of crop
- Process management
- Sales distribution channels
- Alternative income sources for the farmers
- Financing:
 - Auto-financing (creating reserves for following harvest)
 - Search and mediation for external financing
- Investment practices
- Cost structure (e.g. purchase management, capital utilization, sales activities)
- Accounting practices, including foreign exchange mechanisms
- Goal setting with cooperatives, measurements and evaluation of results
- Information systems to producers about coffee prices, planting process, etc

Selection of projects

With a team of experts and authorities responsible for a particular area, the needs are analysed and specific projects selected. An initial survey documents the actual situation and subsequently surveys the progress. The latter also provides an opportunity to re-evaluate the work done and re-focus further activities, if needed.

We differentiate among three types of projects.

- a. Urgent necessity
- b. Long-term development
- c. Supporting/complementing projects

Urgent necessity

Under Objectives of this Origin Programme (above), we mentioned three principles:

- Quality improvement
- Environmental sustainability
- Economic viability of producers and processing facilities

When the initial analysis of a farm, cooperative or country shows that any of these three principles is in severe disadvantage compared to the neighbouring entities, then this farm, cooperative or country will be classified under urgent necessity.

This type of project will receive primary attention, time and monetary-wise. Measurements to relieve the disadvantages will be sought for fast implementation.

Long-term development

Coffee farmers, co-operatives, coffee boards, research centres and NGOs can submit project proposals. Using the analysis of requirements in each country, the experts/authorities/Coffee Fund jointly select the most appropriate projects.

The main advantage of this approach is that the action plan is elaborated from the entity (farm, co-operative) itself, thus we apply a bottom-up process. This allows involvement from the stakeholders and guarantees a long-term effect since it is their own idea. The project management provides know-how, materials, infrastructure and partial financing.

Long-term development also includes projects already started that are managed by national coffee boards/co-operatives/NGO's/research centres that fit into the objectives set by this origin programme. The Coffee Fund supports these projects further.

A critical success factor of the long-term approach is the gradual expansion of agricultural and business practices within a region or a country. As one area attains self-sustainability, a neighbouring area is assigned to a project. Using this approach, we gradually increase the coverage of sustainable coffee producing areas.

Supporting/Complementing Projects

Many projects have already been implemented and obtained very positive results. There may however be a need to expand, continue or complement it with one or the other aspects mentioned under definition of goals above.

For instance, self-sustaining production in an economic and quality sense have been achieved, but environmental aspects like reforestation, for example, have not been considered. Or, in a different situation, environmental and quality aspects are at its best, but economic viability of the coffee farm has not been reached. In these two cases, the Coffee Fund supports a project to alleviate the deficiency in the missing aspect.

We believe this work to be fundamental, because without a good level on all three goals (quality, environmental, economic) the deficient one will trigger the other two to return to insufficiency. This can be best shown in the above example where economic viability is not reached. In this case, the coffee farmer will start to reduce attention to his plantation, hence reducing quality and environmental aspects.

Project partners

The Coffee Fund recognizes the many excellent efforts undertaken so far. We further support these efforts and extend them, where required and possible. All our projects are implemented with partner organizations already active in the field, thus taking advantage of the existing know-how. As most relevant partners we look at co-operatives, coffee boards, NGO's, industrial partners, governments and research centres.

In this international existing network of coffee experts, the function of the Coffee Fund is multifunctional. Among the most relevant can be named:

- provision of funding for the projects
- embedding the activities into a long-term international strategy of the coffee business
- liaison role between coffee origin and consumption areas
- co-ordinating and consulting function in the actual project development and execution
- function as a global, neutral and transparent organization that is trustworthy in the perception of coffee consumers and producers

Approval of projects

Each project selected is submitted to the Coffee Fund Board (consisting of one delegate each from North American Partners, European Partners and the ICO). Each individual board member has the right to veto a given project within four weeks of notice. This process guarantees an effective supervision from the international coffee community whilst being highly efficient.

Approach to project management

Successful project management requires a clear definition of the goals. The process of defining the goals should include all participants of the project as it provides the bases for the commitment and, at the same time, functions as an initial role distribution.

The goals have to include measurable items, to be time-bound and to be based on an accurate budgeting. Throughout the project implementation, assessments have to be made to measure the advances, compare them with the goals set and, if differences appear, make necessary adjustments to the project implementation or re-evaluate the goal settings. Such assessments will be based on a common scheme to allow evaluation among the projects and draw important learning lessons for the Coffee Fund management.

On all projects, we will motivate women to participate in an attempt to contribute to gender equality. We will explicitly ensure that women are given the opportunity to participate and to be represented in leading roles of the project management.

Teaching and coaching

Essentially there are excellent business practices already applied to running operations. Passing on these practices to those who don't have them constitutes a fundamental layer of the project management. This know-how may be available on a national or international level, co-ordinating the transfer of it is part of the activities of the Coffee Fund.

Teaching means to pass on knowledge from one person to another or a group of people. Coaching is the activity of accompanying the coffee farmers and co-operatives in their daily activities and guiding them through the elaboration of the new processes jointly between the farmer and the trainer/coach.

Financing

A critical role in business management for the coffee farmers is generally the cash management. Through the project management, the Coffee Fund provides partial funding, where required, of the investments in the plantation or the infrastructure (e.g. processing or storing facilities) of the same project, to be combined with the local labour input.

For financing the harvest the Coffee Fund supports administrative and organizational matters, but is not in a position to grant bridging credit on its own. It is however one of the goals of the Coffee Fund to find international institutions willing to provide small credits or microfinance to the coffee farmers. Such operations would have to be connected with a system that can guarantee the pay back in order to keep the interest rate low.

Position of Coffee Fund activities in today's business structure

The Worldwide Sustainable Coffee Fund does not issue certifications that allow producers/exporters to attain a specific customer market. Our philosophy is based on the fact that best business practices can be achieved through involvement of all people concerned and the efficiency of the Coffee Fund (that is financial and project management). This will eventually allow a solid structure in the mainstream business that in turn complements the efforts of the speciality and fair-trade segments.

If a coffee grower decides to apply for a certification in the fair-trade segment after having gone through the project funded/managed by the Coffee Fund, he will be free to do so.

We hand out certificates of participation or of achievement to farmers and businesses involved in the projects. These certificates however are only for recognition and reference purposes.

Outstanding characteristics of the origin programme

- a. It has a long-term effect on social and environmental sustainability because the programme does not stop after the implementation of one project unit. It is based on a continuous concept that provides knowledge and practical coaching as new techniques develop around the world. Due to this approach, the know-how is rooted in the farmers' practices and transmitted to the upcoming generation.
- b. National coffee associations are involved in the programme for the co-ordination of activities and the communication to all coffee farmers and updated about the progresses made.
- c. Through using national experts for local training, we assure that they communicate in the same language and can interpret correctly cultural behaviours.
- d. The structure available allows responding very fast to new threats, such as regulatory (OTA), environmental (tropical storms, land-slides), pests.