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

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Cost-benefit analysis of sustainability practices in the coffee sector: A program for building management capacity in producing countries

Background

1. This document contains an outline of the revised project proposal submitted by the International Institute for Sustainable Development of Canada (IISD) for conducting benchmarking and preliminary "sustainability" cost-benefit analysis of the main sustainability standards systems implemented within the coffee sector. It may be noted that the financial figures are still subject to revision and are given as received.

2. The proposal was examined by the Virtual Screening Committee and the Executive Board in September 2005, and their technical recommendations have been taken into consideration in revising the proposal.

3. A copy of the full revised proposal is available from the Secretariat upon request.

Action

The Board is requested to consider this project proposal and, if appropriate, to recommend it for approval by the Council for submission to the Common Fund for Commodities (CFC).

1. Project summary

Project title: Cost-benefit analysis of sustainability practices in the coffee sector: A program for building management capacity in producing countries

Duration: The project will last 39 months.

Location: The project is global in nature. It will include "core" field work in the following countries[1]: Brazil, Colombia, Mexico, Ethiopia, Vietnam, Indonesia, India, Tanzania, Guatemala, Peru, Nicaragua, Uganda.

Parallel field work will be undertaken in additional countries based on the interest of and cooperation with national institutions.

Nature of project: This is a global technical assistance and capacity building project aimed at reducing poverty and improving living conditions for coffee producers/enterprises across the three main coffee producing continents by:

- Improving enterprise and producer decision making with respect to higher value "sustainability markets";
- Improving producer access to consumer markets through more cost effective compliance with technical standards and requirements (traceability, quality, safety etc. requirements);
- Improving producer management and efficiency of farm level practices through better farm management and monitoring;
- Promoting rational decision making towards the preservation of social and environmental resources based on local conditions;
- Building capacity among producer organizations in the management, evaluation and participation in the development and implementation of standards and sustainability initiatives;

[1] *The project will also provide training for and incorporate activities undertaken in a number of additional "cooperating countries" in order to enable broader application of the tool.*

- Assisting governments and policy makers in promoting sustainable practices based on regional conditions and priorities.

Brief description: The project aims to help producers and other stakeholders identify and assess the costs and benefits of meeting sustainability standards and associated practices applied throughout the coffee sector. It will assist producers towards this end through:

(a) the building of local and national capacity in the monitoring and management of sustainability standards and associated practices; and

(b) the creation and application of a science-based tool to analyze the real costs and benefits associated with the adoption of specific sustainability systems and related practices.

Estimated total cost: US$3,462,122

Financing sought from the Fund: A total of US$2,000,000 is sought from the CFC.

Mode of financing: The project seeks grant financing only from the CFC.

Co-financing: US$927,122
A minimum of US$1.5 million co-financing will be secured. Co-financing will take the form of US$1 million grant contributions and at least US$500,000 in counterpart contributions.

Mode of co-financing: The project seeks only grant co-financing.

Counterpart contribution: CIMS, CIRAD, IISD and Partners will contribute an estimated US$535,000.

Project Executing Agency (PEA):	IISD (subject to confirmation)[2]
Supervisory body:	International Coffee Organization (ICO)

[2] *IISD would manage the funds as a co-member of the Executive Committee of the Committee on Standards Assessment (COSA) of the Sustainable Coffee Partnership. The Executive Committee of the COSA consists of CIMS, CIRAD and IISD. The Sustainable Coffee Partnership (SCP) is a multi-stakeholder initiative promoting sustainability in the coffee sector at the global level jointly facilitated by IISD and UNCTAD. Members of the Steering Committee of the SCP are: Pablo Dubois: International Coffee Organization (ICO); Emeline Fellus: Sustainable Agriculture Initiative Platform; Christophe Montagnon: Centre de Coopération internationale en Recherche agronomique pour le Développement (CIRAD); Gerardo Alberto de Leon: FEDECOCAGUA/ ANACAFE (Guatemala); Panos Varangis: World Bank; Diego Pizano: Federación Nacional de Cafeteros (FNC-Colombia); Mehmet Arda: United Nations Conference on Trade and Development (UNCTAD); Gabriel Bartolo: Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA - Brazil); Lorenzo Castillo: Junta Nacional de Cafe (Peru); Josefa Sacko: Inter-African Coffee Organization (IACO); Chris Wille: Sustainable Agriculture Network (SAN); Carsten Schmitz: Common Code for the Coffee Community Initiative (CCCC); Pradeep Nandipur: Katarnaka Growers Federation (India); Chantal Line Carpentier: Commission for Environmental Cooperation (CEC); Mark Inman: Specialty Coffee Association of America (SCAA); Carol Wilson: United States Agency for International Development (USAID); Robert Nsibirwa: Eastern Africa Fine Coffee Association (EAFCA); Constantino Casasbuenas OXFAM/Global Alliance on Coffee and Commodities (GLACC); David Browning: Technoserve.*

Summary logical framework

Log element	Narrative summary	Objectively verifiable indicators	Means of verification	Important assumptions
Goal	The broad goal of the project is to improve producer value retention and living conditions by building management capacity related to the adoption of sustainable practices and related schemes	**Measures of goal achievement** i. net increase in social, economic and environmental cost/benefit ratio associated with coffee production	i. interviews with producer organizations ii. interviews with producer organizations; national trade statistics and statistics from sustainability initiatives iii. national price statistics; national social and environmental statistics	**Concerning long-term value of the project** i. that the concept of sustainability can be captured by systematic approaches which apply across more than a single farm at a time
Project purpose	- Improving producer management and efficiency of farm level practices through better farm management and monitoring - Promoting rational decision making towards the preservation of social and environmental resources based on local conditions - Building capacity among producer organizations in the management, evaluation and participation in the development of and implementation of market-based sustainability initiatives	**Conditions that will indicate purpose has been achieved** i. number of farmers using tools produced ii. number of extensionists using tools produced iii. net increase in profitability iv. % change in institutional resources committed to "sustainable management" v. number of national level partners participating in the project	i. interviews with producer organizations ii. interviews with producer organizations; national trade statistics, state statistics on extension services and statistics from sustainability initiatives iii. national price statistics; national social and environmental statistics	**Link between goal and purpose** i. that it will be possible to distinguish between the effects of sustainability initiatives and changes in local or international market/policy conditions
Outputs	- National, regional and global data on the social, economic and environmental costs and benefits of specified sustainable practices/initiatives - Farmer implementation accountability management tool - Auditor/extensionist cost/benefit accountability tool	**Magnitude of outputs necessary and sufficient to achieve purpose** - Extensionists able to calculate the costs and benefits of specific sustainability practices/systems based on regional and local conditions - Farmers able to calculate the basic costs and benefits of specific sustainability practices/systems individually - National and producer institutions develop strategies for approaching sustainability initiatives and related markets	- Joint field testing with farmers and extensionists - Extensionist workshops/interviews - National and producer association annual reports over the life of the project	**Link between output and purpose** - That extensionists and farmers will be able to continue to apply and develop the tools beyond the life of the project - That policy makers are able and willing to respond to the results of the project
Inputs	- Training workshops for extensionists - Training workshops for auditors - Training sessions with farmers - Field visits - Multi-stakeholder advisory panel - Scientific research committee	**Level of expenditure for each activity:** Component 1 - Methodology and Tool Development: US$409,300 Component 2 - Training and Dissemination: US$1,239,600 Component 3 - Tool Application and Analysis: US$725,800 Component 4 - Dissemination of Results: US$311,480 Component 5 - Management, Monitoring and Evaluation: US$405,000	- PEA project progress reports - Annual Audit Reports - Workshop Reports - Advisory Panel Documents - Scientific Research Committee Documents	- Financing is received from respective sources in a timely manner - The PEA and executing partners execute the project components efficiently and without major mishap

	Type of Task	Detail	Total US$
Background analysis	Preparatory	desk studies and interviews to determine existing work in this area and current efforts to ensure no duplication and collaboration where possible	20,000
Methodological development	Preparatory	3 multi-stakeholder scientific teams: economic, environmental, social	86,000
Expert methodological verification	Preparatory	organization of advisory panel & initial meetings Brazil for discussion & preparation of indicators	20,000
Test research methodology and tools in field & develop partners + trainings	Training and capacity building	2 farms x 6 programs x 2 countries	143,300
Year 1 Benchmarking field trainings	Training and capacity building	field visit training activities	622,200
Year 1 Benchmarking field research	Data collection	144 farms auditor visits	138,600
Year 1 Synthesis report	Publication/ dissemination	40 days @ US$750 per day	30,000
Training workshops	Training and capacity building	6 national training workshops @ US$5,000 each	30,000
Auditor workshops	Training and capacity building	1 auditor workshop: 12 @ US$2,000 travel	24,000
Advisory panel review meeting	Management	year 1 advisory panel review meeting: 12 @ US$2,000	24,000
Year 2 Cost/benefit field research & trainings	Training and capacity building	field visit training activities	345,000
Year 2 Cost/benefit field research	Data collection	144 farms auditor visits	138,600
Year 3 Cost/benefit field research & trainings	Training and capacity building	field visit training activities	206,400
Year 3 Cost/benefit field research	Data collection	144 farms auditor visits	138,600
Expert data analysis and interpretation	Data analysis	3 scientific teams: economic, environmental, social x 30,000 each x 3 years	270,000
Six reports (each system)	Publication/ dissemination	6 reports @ 20,000 each	120,000
Econometric analysis	Publication/ dissemination	50 days @ 800 per day	40,000
Final synthesis report	Publication/ dissemination	40 days @ 750 per day	30,000
Advisory panel & scientific committee costs	Management	communication, meetings, fees, and dissemination over 3 years	92,000
Contingency travel	Travel	5 trips @ US$2,400	12,000
Project and team supervision	Management	1 person per year @ 80,000 per year; 3 people @ 15,000 per year each	375,000
External monitoring and evaluation of project	Management	40 days @ 750	30,000
Wrap up advisory panel meeting	Management	(12 @ 2,000 for travel)	24,000
Publishing and dissemination outreach	Publication/ dissemination	preparation, publication and dissemination of website, reports and toolkit	131,480
Subtotal			3,091,180
Overhead and contingency costs		12%	370,941
GRAND TOTAL			**3,462,122**
Secured counterpart financing			
USAID/IISD			300,000
CIMS			125,000
CIRAD			110,000
Subtotal			**535,000**
Component 1 subtotal			**409,300**
Component 2 subtotal			**1,239,600**
Component 3 subtotal			**725,800**
Component 4 subtotal			**311,480**
Component 5 subtotal			**405,000**
Subtotal			**3,091,180**

5. Test research methodology and tools in field & develop partners	2 farms x 6 standard x 2 countries = 24 visits at 3 days per test = 72 days + 3 days contingency = 75 days @ US$500/day x 2 experts	75,000		
	field auditor @ US$300/day x 75 days	22,500		
	salary for local institution member @ US$100/day x 72 days (home on weekends)	7,200		
	car & driver @ 100/day x 72 days	7,200		
	expenses for 2 researchers x 75 days @ 100/day	15,000		
	expenses for local institution member @ US$100/day x 72 days	7,200		
	meals/expenses for 24 farmers @ US$50 a day	1,200		
	travel for national auditor and institution member	2,000		
	travel for 3 international experts @ US$2,000 each	6,000		
		143,300		
		Training and capacity building	**Data collection**	
6-7: Year 1 Benchmarking field research & trainings	training: 2 farms x 6 standard x 9 countries = 108 visits plus 36 reference farms = 144 visits at 3 days per test = 432 days. 2 experts per training @ US$500 a day	432,000		
	trained data collector: 432 @ US$300 per day		129,600	
	salary for local institution member 165 days @ US$100 a day	16,500		
	car & driver 165 days @ US$100 a day	16,500		
	expenses for 2 trainers for 432 days @ US$100 per day	86,400		
	expenses for local institution member 131 days @ US$100/day	23,100		
	meals/expenses for 144 farmers @ US$50 each	7,200		
	travel for national auditor (US$1,000 per country x 9 countries = US$9,000) and institution member (US$500 per country x 9 countries = US$4,500)	4,500	9,000	
	travel for trainers: 2 @ 9 countries @ US$2,000 per country	36,000		
		622,200	**138,600**	**760,800**
12-13: Year 2 Field research & trainings	training: 2 farms x 6 standard x 9 countries = 108 visits plus 36 reference farms = 144 visits at 3 days per test = 432 days. 1 expert per training @ US$500 a day	216,000		

	trained data collector: 432 @ US$300 per day		129,600	
	salary for local institution member: 165 days @ US$100 a day	16,500		
	car & driver: 165 days @ US$100 a day	16,500		
	expenses for 1 trainer for 432 days @ US$100 per day	43,200		
	expenses for local institution member: 131 days @ US$100/day	23,100		
	meals/expenses for 144 farmers @ US$50 each	7,200		
	travel for national auditor (US$1,000 per country x 9 countries = US$9,000) and institution member (US$500 per country x 9 countries = US$4,500)	4,500	9,000	
	travel for trainers: 1 @ 9 countries @ US$2,000 per country	18,000		
		345,000	**138,600**	**483,600**
14-15: Year 3 Field research & trainings	training: 2 farms x 6 standard x 9 countries = 108 visits plus 36 reference farms = 144 visits at 3 days per test = 432 days. 0,5 experts per training @ US$500 a day	108,000		
	trained data collector: 432 @ US$300 per day		129,600	
	salary for local institution member: 165 days @ US$100 a day	16,500		
	car & driver: 165 days @ US$100 a day	16,500		
	expenses for 0.5 trainers for 432 days @ US$100 per day	21,600		
	expenses for local institution member: 131 days @ US$100/day	23,100		
	meals/expenses for 144 farmers @ US$50 each	7,200		
	travel for national auditor (US$1,000 per country x 9 countries = US$9,000) and institution member (US$500 per country x 9 countries = US$4,500)	4,500	9,000	
	travel for trainers: 0,5 @ 9 countries @ US$2,000 per country	9,000		
		206,400	**138,600**	**345,000**
25. Publishing & dissemination outreach	website @ US$20,000 per year x 3	60,000		
	field materials: US$15 per visit, 144 visits for 3 years	6,480		
	Preparation, publication and dissemination of reports (Methodology CD @ US$3,000, year 1 report @ US$16,000, final report @ US$24,000, CD and toolkit @ US$22,000)	65,000		
		131,480		