



Projects Committee/
International Coffee Council
7 March 2013
London, United Kingdom

**Summary of progress reports submitted by
the Project Executing Agencies (PEAs) on
projects currently being implemented**

Background

The ICO, as the designated Supervisory Body for the following Common Fund for Commodities (CFC) coffee projects, assists with monitoring the implementation of projects, which include among others, reviewing the attainment of objectives, identifying constraints and checking expenditure. This document summarizes individual progress reports submitted by each PEA for each project being implemented (see Section III of document PJ-42/13) and includes a list of acronyms used in this document. Copies of the full six months reports are available on request from the Secretariat.

- Annex I:** Pilot rehabilitation of neglected coffee plantations into small family production units in Angola – CFC/ICO/15 (PEA: INCA)
- Annex II:** Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA Countries – CFC/ICO/45 (PEA: AFCA [Formerly: EAFCA])
- Annex III:** Competitive coffee enterprises programme for Guatemala and Jamaica – CFC/ICO/46 (PEA: ANACAFE/CIB)
- Annex IV:** Economic Crises and Commodity dependent LDCs: Mapping the exposure to market volatility and building resilience to future crises – CFC/ICO/49FA (PEA: UNCTAD)
- Annex V:** Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda – CFC/ICO/48 (PEA: CABI-ARC)
- Annex VI:** Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies – CFC/ICO/53/FT (FAST)

Action

The Projects Committee and the International Coffee Council are requested to take note of this report.

LIST OF ACRONYMS USED IN THIS DOCUMENT

Anacafé	National Coffee Association (Guatemala)
BPR	Banque Populaire de Rwanda (Popular Bank of Rwanda)
CBO	Cooperative Bank of Oromia
CFC	Common Fund for Commodities
CIB	Coffee Industry Board of Jamaica
EAFCA	Eastern African Fine Coffees Association
FAO	Food and Agriculture Organization of the United Nations
FAST	Finance Alliance for Sustainable Trade
FDI	Foreign Direct Investment
GAP	Good Agricultural Practices
ICO	International Coffee Organization
INCA	Instituto Nacional do Café de Angola
LDCs	Least developed countries
MOU	Memorandum of Understanding
PEA	Project Executing Agency
SCAA	Specialty Coffee Association of America
SCAE	Speciality Coffee Association of Europe
SMEs	Small and medium enterprises
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development

**PILOT REHABILITATION OF NEGLECTED COFFEE PLANTATIONS
INTO SMALL FAMILY PRODUCTION UNITS IN ANGOLA
(CFC/ICO/15)**

Period covered by the report: 1 July to 31 December 2012

Status of Project implementation

This executive summary outlines the activities and results of the implementation based on the work plan produced at the beginning of the year. At the same time it presents the current status of project implementation by components, as follow:

Production and rehabilitation

The activities focused on the production and planting of coffee seedlings, harvesting and coffee husbandry. The ongoing training of involved personnel was considered. The following results were achieved:

- 352 nurseries installed.
- 2,956,520 coffee and shadow trees seedlings produced.
- 247,517 seedlings planted in situ.
- 7,238 rehabilitated with recommended husbandry – weeding, pruning, shading, terracing, etc.
- 56,287 kg of organic fertilizer (bokashi) produced.
- 2,537 coffee growers trained in soil management techniques.
- 1,537 tons of green coffee produced.
- Farmers' field schools installed and maintained.
- A microcredit disbursement (phase 3) was started.

Commercialization of coffee

- Gross profit of coffee sale estimated at US\$2.151.800,00.
- Increase of the percentage of the FOB price paid to producers up to 71,5%.
- Increase of coffee sales through cooperative.
- Memorandum of Understanding and contracts signed with local and international companies for coffee commercialization amounting to more than 2,400 tons.
- Entry of international companies in the purchase of the coffee produced in the project cooperatives.
- Rehabilitation of over 62,000 m² of coffee patios.
- Introduction of hanging patios for coffee drying, aiming to improve quality.
- Organization of 'café amboim' saloon in Gabela.
- Mobilization of commercial banks to finance the activities in the region.
- Editing of the newsletter 'Relampago and Punga' reporting the coffee market in the region, the country and abroad.

Resettlement of displaced families

Overall, the resettled families have now adapted to social life and it is difficult to differentiate them from non-resettled.

Under this component the main activities focused on the maintenance of the medical centre and the schools where more than 1,500 children study. The project assured the local authorities that teachers and nurses do not miss out.

4. Support services

The main activities under this component focused on the strengthening of farmers' associations and cooperatives foreseeing its development in cooperatives that, in fact, provide services liable to generate profits.

- Eight service centres that include shopping areas, offices, warehouses, etc. have been rehabilitated and/or built from scratch.
- Means of transport were purchased and delivered to some cooperatives.
- The CESACOPA service centre for coffee cooperatives of Amboim was strengthened.
- The registration and participation of CESACOPA in the Africa Finance and Investment Forum (AFIC2012), in The Netherlands won the first prize
- Studies were conducted on the productivity (yield per area) in the project, and find out that the productivity during the period was 384kg/ha of green coffee
- Training sessions on coffee husbandry and cooperative management was a focus during the period.

5. International technical assistance

The project was visited by several national and international officials. They were informed about the operations and important recommendations done.

- The Executive Secretary of the InterAfrican Coffee Organisation (IACO), Ambassador Sacko visited the project.
- The Executive Director of USAID.
- The Honourable Minister of Agriculture of the Republic of Angola.
- Project staff (extensionists and technicians), visited the Republic of Timor-Leste to exchange experience with a similar project implemented in that country.

**BUILDING CAPACITY IN COFFEE CERTIFICATION AND VERIFICATION
FOR SPECIALTY COFFEE FARMERS IN EAFCA COUNTRIES**
CFC/ICO/45

Period covered by the report: January – December 2012

The implementation process during the year under review took into account the recommendations of the partial mid-term review that was undertaken by the International Coffee Organization earlier in the year (18 to 22 February, 2012). The recommendations placed emphasis on fostering project impact on farmers and other beneficiaries. In this regard, certain aspects of the implementation process were re-aligned in order to achieve the expected results. In order to expedite farmer training, completion of training of trainers in some of the remaining countries was done. To this end, trainer of trainers' training was conducted in Zimbabwe, Malawi, Rwanda and Burundi. It is suffice to note that the trainer-of-trainers' training is the precursor to training farmers. To date, eighty-two trainer-of-trainers have been trained out of the target of ninety earlier set in the project. These are from seven participating countries that include Burundi (13 trainers), Rwanda (12 trainers), Malawi (12 trainers), Zimbabwe (12 trainers), Uganda (10 trainers) and Zambia (10 trainers). The remaining countries are Kenya and Ethiopia where it is expected that 24 trainer-of-trainers will be trained by the end of first quarter 2013. Ultimately the total numbers of trainer-of-trainers to be trained in the project will be 106 professionals.

Furthermore the training of auditors was also restructured in line with the recommendations of the partial mid-term review undertaken by the International Coffee Organization (ICO). To date, eighteen auditors have been trained in the project from eight countries. New requests for proposals to undertake the training of the remaining number of auditors have been sought from the service providers in the Eastern African region. Two organizations have been shortlisted and wait the final award of the contracts for auditor training. In the same vein, the Project IT portal is in the process of being developed for the project activities. Request for proposals from suitable service providers were sought and ten companies were shortlisted in order to select the right service provider to undertake the assignment. The award of the contract shall be done after the approval from the Common Fund for Commodities (CFC). The IT portal shall capture the information related to farmer training activities, coffee certification/verification and geographical indicators of where the coffee is grown. The portal will be managed by the project executing agency (PEA) in Uganda with data entry points from the nine participating countries.

Side-by-side with the in-country project implementation activities, participation at the international coffee fairs was done in order to create awareness of the project activities and link coffee producers to the international markets through exhibition of coffees from the project participating countries.

Results realized

During the period under review, progress was made towards training of farmers. In this regard a total of 1,290 farmers were trained from Rwanda, Tanzania and Uganda. The preliminary results realized from training these farmers is the positive change in attitude towards coffee farming as farmers approached coffee farming as a business. Furthermore, as a result of the training of farmers, adherence to good agricultural practices has been noted with regard to soil water conservation practices, crop nutrition and crop protection management practices. The other results realized include the training of trainer-of-trainers. The total number of trainer-of-trainers trained is 82 out of the targeted 90 trainer-of-trainers. These results are in addition to the 39 master trainers already delivered by the project.

In addition the project has trained 18 auditors from 8 countries. Some of these auditors are already being utilized by their respective countries in the coffee industry. The certification/verification standards that they have been trained on include Utz Certified, 4C Association, Rainforest Alliance and Café Practices.

In a nutshell, the results realized in the period under review include the commencement of farmer training which has led to the training of 1,290 farmers in the project. Furthermore, finalization of the training of trainers in some of the countries was undertaken where the training had not yet been done. For example, 13 trainer-of-trainers was done in Malawi and another group of 13 was done in Rwanda. Progress towards establishing the IT portal was made by short listing service providers to undertake the assignment.

Project impacts on beneficiaries

The target beneficiaries of the project are 5,868 farmers from the 9 participating countries. The design of the project entailed that the last two years will focus on farmer training. Training of farmers commenced in May 2012 where 500 farmers were trained in Tanzania and Uganda. To date, 1,290 farmers have been trained in the project. The target number of farmers to be trained in the project is 5,868 farmers. According to the current farmer training programme this number will be exceeded by the end of the project period. The training of farmers that has been so far conducted has resulted in farmers implementing

good agricultural practices (GAP) at farm level. For example, management of pests and diseases in the project group of Kabonera cooperative has improved in Uganda. As a result, positive indications of improved yields are being noticed at farm level. With regard to certification/verification, the first batch of 1,000 farmers will be verified by the end of the first quarter of 2013. Furthermore, an additional 300 farmers will be certified organic under the Mzuzu Coffee Planters Cooperative Union in Malawi by the end of the year 2013. The actual impact assessment of the project interventions will be measured at the completion of the project in order to ascertain actual impacts of the project on beneficiaries.

Lessons learned/challenges

One of the critical lessons from the project implementation process is the realization that the original design of the project was not tailored to have farmers certified but equipping them with sufficient decision-making mechanisms to decide on which certification/ verification standard to adopt. In this regard, the challenge has been to fill this budgetary void in order that the coffee farmers trained in the project will attain compliance to certification / verification standards. To this end, collaboration with existing initiatives are being pursued. For example, working with the 4C Association and the National Union of Coffee Agribusinesses Federation (NUCAFE) more than 2,000 farmers are going to be 4C verified by the end of the first quarter of 2013 in Uganda. It is envisaged that through these collaborative efforts and initiatives, farmers will be assisted to attain certification.

The other lesson learned is the challenge in dealing with the National Coffee Institutions. It has been learned that the adoption of the project interventions in countries like Kenya and Ethiopia has been slow due to institutional bureaucracy. It has been observed that government institutions in the project are slower in the adoption of the project interventions than the private sector led institutions. In Ethiopia, the sudden change in the Ministry of Agriculture officials, who were the project contacts, had a negative impact on the implementation of the project by delaying the training of trainer-of-trainers, auditors and farmers. These institutional bureaucracies pose a great challenge and impediment to the project implementation process in Ethiopia and Kenya. To this end collaborations with the independent sustainability initiatives have been initiated in order to enhance the training of farmers in Ethiopia. The project will collaborate with a Dutch sustainability initiative known as the IDH Sustainability in order to enhance farmers' training and accelerate the impact of the project on farmers.

Recommendations

In the interest of acceleration of farmer training in the remaining project period, it has been recommended that an average number of 160 farmers be trained on a quarterly basis by the 9 participating countries. This culminates into over 5,000 farmers being trained in each year of the project remaining period. Effectively, this approach will lead to the target number being exceeded. For maximum impact of certification/verification on the participating producers, it is recommended that the 4C Association verification standard be the starting point for the project producers since it is baseline standard ('a low-hanging fruit'). Accordingly farmers will up-grade to other standards once the baseline standard requirements have been met. It is the certified/ verified coffees coming from the project that will access sustainable coffee markets in Europe, North America and Japan. It is further recommended that the project IT portal should be operational in the first quarter of 2013 in order to capture all the information on farmers and professionals trained.

Beyond the project finish date, it is recommended that project impacts and outcomes be extended to other regions of Africa in order to equip farmers from those regions with the skills and expertise for certification/verification. This may entail extension of the current project life cycle.

**COMPETITIVE COFFEE ENTERPRISES PROGRAMME
FOR GUATEMALA AND JAMAICA
CFC/ICO/46**

Period covered by the report: 1 July to 31 December 2012

1. Status of Project implementation

Component I: Producción

The number of coffee trees planted has risen to 341,750, 50% of which will come into production in 2013, 25% in 2014 and the remaining 25% in 2015. Fertilizing, pruning and control of pests and diseases was carried out for all trees previously planted (during years 1 and 2).

During this semester the establishment of nurseries was completed in Guatemala and in Jamaica two of the three cooperatives involved in the project managed to produce 70,000 coffee seedlings from the 70 lbs of seeds distributed under the 'Learning by doing' scheme.

Activity 1.2: Technical assistance

The following objectives established in relation to technical assistance for shade management, fertilizer application and pruning have been achieved in: i) new planting areas; ii) coffee areas already in production; and iii) demonstration plots. This has ensured an increase and improvement in productivity of coffee farms for all producers who carried out the various farm management activities involved.

An 'agronomic workshop' was held with the participation of 60 small producers, who received training in: soil sampling, fertilizer application and pruning, conservation and maintenance of seedlings, sucker removal, shade management, weed control, pest and disease management and quality in coffee picking.

In order to combat coffee leaf rust (*Hemileia vastatrix*), which is at present creating a crisis in the Central American region, special and specific training was carried out with the support of the technical team of the Anacafé Plant Protection Programme. Training sessions were attended by 45 small producers. The main focus was on safe management of pesticides and efficient sprinkler application. All participants attending training sessions brought their own sprinkler equipment, which received any maintenance required and they were given special nozzles for the application of leaf rust control products to be bought in the next semester.

With regard to post-harvesting activities, two technicians provided support for producers in restructuring wet processing plants to improve coffee quality. Anacafé also held a workshop on wet coffee processing with the participation of 56 small producers. The aim was to show neighbouring producers the improvements offered by the wet processing model.

In the area of organizational strengthening, another workshop was carried out on modern coffee growing and effective organizational management with the participation of 59 producers. The main topics were: 'credit control and management', and 'management and preparation of competitive projects.

In relation to environmental matters, training was provided for 38 small coffee producers in the methodology for estimating the value of environmental services in coffee with the support of the Anacafé environmental co-ordinator on the basis of information in studies carried out on the methodologies applied in Guatemala.

In Jamaica, small coffee farmers associated with the three cooperatives involved in the project received support for monitoring and providing assistance in the field for fertilizer application, preparation of seedlings and pruning activities.

Activity1.3: Farm management

As in the first two years, fertilizers, pruning equipment, fertilizer application equipment and pesticides were distributed to the 24 beneficiary producer organizations. Anacafé field technicians provided assistance for the producer organizations in purchasing fertilizer and coffee leaf rust control, which has been having a widespread effect on coffee farms.

In Jamaica, fertilizers were distributed on the basis of the results of soil analysis carried out in the Saint Catherine, Cave Valley and Frankfield cooperatives. Half this fertilizer has been applied in coffee farms and complementary organic fertilizer will be bought during the next semester. Pest and disease control training was also provided and a session on safe use of toxic bait for control of snails and slugs was attended by 135 small coffee farmers from the following three cooperative groups involved: C.I.B. (Coffee Industry Board), M.B.C.F. (Mavis Bank Coffee Factory) and R.A.D.A. (Rural Agricultural Development Authority). The information obtained will be used to develop an integrated management plan. Training sessions provided participants with a management programme detailing the various tasks to be carried out during the year.

Component 2: Post-harvest**Activity 2.1: Training**

Technicians from Colombia visited various groups of project beneficiaries where the type of machinery/equipment used in Colombia can be installed, demonstrating designs, yields and reduced water use with mechanical mucilage removers, as well as increased efficiency using silo-type mechanical dryers.

Activity 2.2: Quality control system

The second stage of the workshop on quality control in the coffee cupping laboratory was carried out with the participation of eight participants involved in the first stage. The aim of the workshop was to ensure that laboratory technicians can define and identify a roasting profile based on international standards; familiarize themselves with sensory tasting profiles based on SCAA Standards, identify coffee defects and analyse the appearance of green coffee, bean size, aroma, defective beans and extraneous matter. With this information, the technicians can make appropriate recommendations to coffee farmers when they find defects in the cup. They will be able to pinpoint any poor practice in the wet processing of the coffee.

Activity 2.3: Restructuring of wet processing plants

In Guatemala a cistern tank for the collection of rainwater was built to benefit the ten organizations involved in the project and any appropriate repairs were carried out.

In Jamaica, a programme was drawn up scheduling all activities to be carried out for the purpose of obtaining project support for the establishment of a complete wet processing coffee module in one of the three beneficiary cooperatives

Activity 2.4: Management of by-products

The small coffee producer groups, who were supported from the start of the project for the construction of vermicomposting bins, now have a regular supply of compost. The compost is supplied to group associates for application in coffee farms and in some cases is used directly in coffee seedbeds

Componente 3: Promotion of domestic consumption

Activity 3.1: Training

In Jamaica the 'coffee fest' aims to offer festivals in coffee farmhouses and tours of coffee farms offering coffee-based beverages and fish in the menu.

In Guatemala, selection of candidates for training as *baristas* was completed and four sets of computer equipment were bought for use in the two 'internet-coffee shops' operated by project cooperatives located in areas with neighbouring colleges and institutions. These coffee shops will offer internet services, photocopying, scanning and printing facilities for students, as well as hot and cold coffee-based beverages, together with cakes and biscuits.

In Jamaica, a market study will be carried out to determine the tastes of potential customers and the types of beverage that could be offered in the coffee shops to be built by cooperatives.

Social and environmental effects of project execution

In Jamaica, after Hurricane Sandy, which impacted the area where the Saint Catherine Cooperative is located, the estimated production loss for project beneficiaries was between 5% and 8%

Conclusions and recommendations

The project is due for completion in February. However, in the case of Jamaica, it is proposed to request an extension until June since the country has only managed to implement 70% of planned activities.

In the case of Guatemala, the time lag in implementation was resolved during this semester. The credit problem remains a matter of concern however, since there has been no official response from the Bank.

**ECONOMIC CRISES AND COMMODITY DEPENDENT LDCS:
MAPPING THE EXPOSURE TO MARKET VOLATILITY
AND BUILDING RESILIENCE TO FUTURE CRISES**
CFC/ICO/49FA

1. Period covered by the report: 1 July to 31 December 2012

Beneficiaries: Benin, Burundi, Tanzania, Zambia from the African region and Cambodia and Lao, People's Democratic Republic and Nepal from the Asian region were target countries for the project Division/Section: Africa, LDCs and Special Programme

Implemented Activities

Updates I

In expanding the implementation of the above-mentioned project, UNCTAD completed a case study on the role of commodities in the socio-economic development of Nepal, taking into account the impact of the recent global financial and economic crises on the commodities sector of the country.

Summary of findings and conclusions

The findings of the study indicate that the adverse impact of the global economic and financial crises on the Nepalese economy was mitigated (or minimized) by the increased flows of remittances to the country. This is due to three main reasons: i) exports, especially of primary commodities do not yet play a major role in the economy of Nepal; ii) remittances, a pillar of the economy, only saw a slowdown in growth, which quickly rebounded; and iii) government revenue, which relies heavily on indirect taxes in general and taxes on imports in particular, continued to grow robustly even with the onset of the global crisis, although the growth slowed down to 11% in 2010/11 due to a slowdown in import growth.

The key policy conclusion that emanate from the case study of Nepal is that, more than the global economic shocks and crises, the challenges facing Nepal with regard to its export sector relate to supply side constraints. These can be broadly grouped under two clusters. The first challenge, which is more pressing and has to be addressed immediately, is to increase the quantum (volume and value) of exports so as to arrest the burgeoning trade deficit and, more importantly, to create employment and generate income for an expanding labour force, raise economic growth and alleviate poverty. The second challenge is to diversify and increase the sophistication and complexity of the export basket, that is, produce and export a wider range of new and increasingly sophisticated and complex products.

Increasing importance of commodities in the export basket

Analysing Nepal's export basket, we find that during the decade 2000-2010, the share of tropical agriculture increased (from 4% to 15%) whereas the share of labour-intensive manufactures decreased (from 39% in 2003 to 14%) and that of capital-intensive manufactures increased (from 34% to 50%). This also suggests that the importance of commodities in Nepal's export basket is increasing, whereas the reverse was the case during the 1990s when there was a decided shift in the composition of the export basket away from primary products towards manufactured goods. The share of primary products (unprocessed)¹ in total exports increased more than three times to 22% during 2000-2010. However, the share of resource-based manufactures slightly declined (to 8%), implying that primary products (mostly agricultural) are increasingly exported in raw form with little or no processing. Therefore, the role of primary commodities in the Nepalese socio-economic development is expected to grow in the near future which requires the attention of policy makers to integrate commodity based policies in their national trade and development policies. In this regard, UNCTAD is working towards initiating policy dialogue with the government of Nepal on how best to enhance the role of commodities in the country's socio-economic development, building on the findings and conclusions of the case study.

Update II

The 59th session of the Trade and Development Board – the highest body of UNCTAD between Conferences – deliberated on the policy implications of the project: 'Economic Crises and Commodity Dependent LDCs: Mapping the exposure to market volatility and building resilience to future crises'. The annual session of the Board took place in Geneva from 17 to 28 September 2012.

A publication, consisting of case studies on² several least developed countries together with synthesis of successful experiences and best practices as well as policy recommendations, served as background documentation for the deliberations of the Board. The publication assesses the challenges, opportunities and prospects for meeting the criteria for graduation, particularly by harnessing the role of commodities and improving agricultural productivity. Concluding its debates on the subject:

¹ Classification based on UNCTAD (UNCTADstat), which includes agro-based semi-processed manufactures in the category of primary products.

² Benin, Burundi, Tanzania, Zambia from the African region and Cambodia and Lao, People's Democratic Republic and Nepal from the Asian region

The Trade and Development Board,

"Notes with interest the evidence-based analysis of the impact of the recent multiple crises (food, fuel and financial) on the socioeconomic performance of least developed countries (LDCs) and their prospects for meeting graduation criteria by 2020 as well as the challenges facing them in ensuring food security as contained in the document UNCTAD/ALDC/2012/1";

"Encourages the governments of LDCs to continue efforts to realize the potential of their commodities sector to spur development and structural transformation, including by leveraging commodities gains for economic development, integrating commodity policies into their domestic development policies and strategies and unlocking domestic potential for sustainable development, inclusive growth and promoting competition and eradicating poverty";

"Encourages also development partners of LDCs in a position to do so to provide continued assistance needed to improve agricultural productivity in LDCs through research, innovation and technological upgrading";

"Recognizes that further efforts are needed to mitigate the impact of commodity price volatility on LDCs' economies through increased transparency in the commodity industry, reduced dependence on the exports of a few primary commodities, enhanced FDI for building productive capacities and by taking measures to effectively deal with the long-standing problems of food security in these countries and investing in infrastructures, human resources and institutional capacity-building".

**SUSTAINABLE CREDIT GUARANTEE SCHEME TO PROMOTE SCALING UP OF
ENHANCED PROCESSING PRACTICES IN ETHIOPIA AND RWANDA
(CFC/ICO/48)**

Period covered by the report: January – December 2012

Assessment of Technical Progress:

Implementation of the Ethiopian component of the project on credit guarantee scheme was initiated by selecting 22 cooperatives to participate in the project. The capacity building exercise for the Loan Officers at the Cooperative Bank of Oromia (CBO) was accomplished, Training of Trainers initiated and capacity building on good production and processing of coffee in the country commenced. Capacity building training on governance and financial literacy for cooperatives was likewise accomplished. In the case of Rwanda, an assessment of the outcome of the first year of implementing the project in Rwanda was undertaken and possible ways to increase the efficiency of the scheme agreed upon. Capacity building activities on good production and processing were also continued. Baseline data collection continued in the two countries.

**Status of project implementation for components
implemented during the reporting period**

Component I: Access to commercial loans by smallholder

For Rwanda, minimum criteria for eligibility of cooperatives to access commercial loans through BPR were documented and the meaning of the criteria explained to the cooperatives seeking loans through the credit guarantee project. Challenges impeding access to loans through the Banque Populaire du Rwanda (BPR) were reviewed based on the outcome of the first year of implementing the scheme in the country. These were in addition to the challenges arising from the minimum bank requirements which have to be fulfilled by the cooperatives before the loans can be extended to them. The identified challenges include delay in processing of the loan request by BPR, delay in providing information on the outcome of the loan request to the cooperatives applying for the loan, poor communication between the Commercial Officers in BPR sub-branches and the headquarters hence contributing to delayed loan processing, inability of the cooperatives to secure forward contracts to act as a guarantee that the coffee processed through the loans will actually get a buyer.

Component II: Scaling up and out improved coffee production and processing practices

Two coffee processing factories were purchased and installed in Ethiopia. In addition, training on good agronomic practices was provided. A total of 22 lead coffee farmers from corresponding cooperatives were trained on coffee processing and good agricultural practices in March 2012. A total of 19 coffee cooperatives from the project zones in Ethiopia attended a four-day training session on coffee processing and good agricultural practices. The objective of the training was to provide required coffee production and processing skills to those cooperative members and enable them increase coffee production and quality during the 2012/13 coffee season.

Component III: Strengthening of primary cooperatives and unions

Training of cooperative management committees on good governance and financial literacy was completed in Ethiopia. The two trainings were coordinated by RIAS. Three training sessions were held each lasting four days. A total of 86 participants representing Cooperative Chair Persons, Cooperative Secretaries, Cooperative Treasures, Book Keepers, Cooperative Accountants and Cooperative promotion Agents from the Kebele levels. Twenty two cooperatives covering 12 Woredas were involved in the training programmes. Training on Good production and processing practices were also undertaken in Ethiopia and coordinated by the Ministry of Agriculture and CABI.

Component IV: Enhanced access to production and market information

An inventory of information available at NAEB was likewise documented as a first step towards digitalisation of the production and marketing information. Dissemination of market information already available at NAEB was done through phones, emails and during consultation meetings. A more systematic way for providing the information will be developed as the project progresses. No additional activities were undertaken in the second semester of the year in respect to this component.

Component V: Project coordination, supervision and monitoring

Project monitoring by the PEA continued. Particular attention was given to the problems associated with lack of liquidity in Ethiopia coupled with the low coffee production in the project zones of the country. In the case of Rwanda, the issue of low approval rate for loan requests forwarded to BPR and how to ensure better success rate were the main highlights of the project monitoring. The PEA engaged the key collaborators in order to come up with viable options to improve the overall performance of the scheme. Technical support continued to be provided to the PIAs on a regular basis.

V.5: Forward Planning of Project Implementation

Rwanda completed the first session of loan processing by BPR. The success rate of the applicants was low, with only three applications being approved for loaning. The project will work closely with BPR to ensure better success rate for the 2013 applications. The results will be known by March 2013. Capacity building for cooperatives in the areas of financial literacy and good governance as well as training on improved processing practices will be undertaken during the first quarter of the year in Rwanda. Follow-up of the cooperatives with loans under the project will be done up to the point at which the market for the project coffee is secured. Training on good agronomic practices will be undertaken based on the coffee calendar for 2013. In the case of Ethiopia, capacity building activities will be undertaken for the project cooperatives to ensure that the coffee produced during 2013 is sold at good prices. In addition, the project will work with the cooperative management to ensure the loan request is deposited with the bank in good time and the outcome of the loan request made known to the applicants.

III Conclusions and Recommendations

The issue of liquidity level of the CBO and BPR remains a major concern and the implementing institutions needs to put in place a quick solution to the problem. In Rwanda, more radical solutions to the low success rate of the loan applicants needs to be put in place. Options which may need consideration includes incorporation of the more progressive cooperatives in the project to provide mentoring for the other less stable cooperatives and to work with the BPR to provide actionable solutions to the low approval rate.

**BUILDING A FINANCIAL LITERACY TOOLBOX TO ENHANCE ACCESS TO
COMMODITY FINANCE FOR SUSTAINABLE SMEs IN EMERGING ECONOMIES
(CFC/ICO/53/FT)**

Period covered by the report: September to December 2012

Status of the project

**Components 1,2,3,4: Development of the Financial Literacy Toolbox ‘First module:
Trainers guide and training guideline’**

In order to involve additional stakeholder’s to increase the impact of the project, a financial specialist from FAST visited Kenya in September 2012 to sign a MOU with the Coffee Development Fund (Kenya) to reinforce the impact of the project at local level through a partnership oriented to:

- Ensure the local adaptation of the training material for Coffee SMEs
- Ensure the participation of Coffee SMEs in the project
- Provide support for the activities that are relevant for both parties, mainly the FAST Financial Fair.

In Tanzania, other MOUs were signed with the Lake Zone Consortium, to support the project in the area and with Solidaridad to support the project in Kenya and in Tanzania.

Additionally, nine technical assistance bodies were contacted and provided a list of professional consultants that could participate in the peer review workshop of the toolbox; they also provided a list of SMEs to be considered to participate in the upcoming Fair. A total of 31 SMEs in Kenya and 76 in Tanzania were identified through the recommendation of technical assistance bodies.

**Component 1, 2: Development of the Financial Literacy Toolbox ‘First module:
Trainers guide and training guideline’**

The first version of the Module ‘Basic criteria and requirements for SMEs to access finance’ was developed, based on the parameters set up by FAST financial members and other financial institutions partners. The module is part of the toolbox, which contains five other modules oriented to enhance the financial management capacity of SMEs decision makers. A peer review session has permitted to gather feedback from local consultants to the draft of the Toolbox’ manual, in order to ensure that the content, style and design of the Toolbox is well adjusted to the target beneficiaries. This review was carried out in December 2012 in Nairobi, Kenya and in Mwanza, Tanzania.

Component 4: Organization of a FAST Financial Fair in 2013

The preparation for the upcoming FAST Financial Fair 2013 in East Africa is based on the 'info sheet' template developed by FAST, which allows to have a quick assessment of the SME's (31 SMES in Kenya and 76 in Tanzania) and to classify them according to categories of development in relation to accessing finance and how close they are to meet the financial institutions' requirements. The suggested classification includes: Group A being the closest and with higher potential to access finance; Group B still lacked some documents and preparation to access finance; and Group C lacks legal status or financial information and they are more adequate to receive finance from a microfinance institution.

The workshop to train cooperatives and SMEs on the Module named 'Basic Criteria and requirements for SMEs to access finance' was carried out in December 2012 in Nairobi, Kenya. The objectives of the workshop were:

- Introduce FAST and the FAST Financial Fair to cooperatives and SMEs.
- Introduce the Financial Literacy Toolbox Project to cooperatives and SMEs.
- Train cooperatives/SMEs on module 6 'Basic criteria and requirements for SMEs to access finance', mainly in relation to the use of the pre-application formats.

Assessment of resources utilization

The CFC contribution of US\$60,000 has allowed achieving the above-mentioned outputs, while the contribution of The Food and Agriculture Organization of the United Nations (FAO) served as Counterpart to the activities and expenses related to the tool box of the project, which financed the peer review workshop held in Kenya in December 2012.

Social and environmental effects of the project implementation

FAST has developed a tool to assess the social, economic and environmental impact of investments in agriculture SMEs/cooperatives. The framework for impact measurement is included in the pre-application documents of the FAST Financial Fair.

Although the project has been operating only for four months, we can point out the dynamic of collaboration that the project has created between different stakeholders. The active participation of Consultants, SMEs and Financial Institutions working together with the same objective which is to reinforce the management capacities for the Coffee SMEs is a remarkable outcome. Human Capital is a key factor to build a way for the progress and throughout this project we are also reinforcing the existing relationships and collaborative dynamics. The project is contributing to enhance the human capital in the sector.

Forward planning of project implementation

The completion of the final version of the Toolbox, including the module 'Basic Criteria and requirements for SMEs to access finance' is expected in the following months. The final version will be available in hard copy and also electronic.

FAST Financial Fair preparation

It is important to mention that in 2013 the project will promote the participation of Coffee SMEs in Tanzania to those producers organization that have already been contacted and that don't fulfil the requirements to participate in the FAST Financial Fair because of lack of legal status.

The next step with the selected group of SMEs is to gather the basic information to build their full pre-credit application profile which is composed by: Information Sheet, Financial Request I and II, Financial Statements for the last three years, Organizational Chart and Investment Plan.

Most SMEs, even the most advanced, usually requires support to develop with quality their profile. To ensure the effective preparation of pre-selected SMEs/cooperatives, FAST will prepare a group of consultants to advise 10 SMEs in Kenya and 10 SMEs in Tanzania in the development of the full credit application profile. The consultants will use the Toolbox prepared within the context of the 'Financial Literacy Toolbox Project', which is a complement of this project.

FAST Financial Fair

We expect to hold the Fair in September 2013 in Nairobi, Kenya. The FAST team will coordinate the participation of the local and the international socially oriented financial institutions as well as the participation of the Coffee SMEs coming from Kenya and from Tanzania. Some other SMEs from other sectors are expected also to participate.

Conclusion and Recommendations

The project has progressed according to the expected results and deadlines proposed. Both of them, SMEs and technical assistance bodies are interested in participating in the full implementation of the project. Moreover, the MOU signed between FAST and the Coffee Development Fund confirmed the involvement of a strategic partner to enhance the impact of the project.

