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 II of document PJ-68/14) 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: Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda – CFC/ICO/48 (PEA: CABI-ARC)

Annex II: Competitive coffee enterprises programme for Guatemala and Jamaica – CFC/ICO/46 (PEA: Anacafé/CIB)

Annex III: Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA Countries – CFC/ICO/45 (PEA: AFCA [Formerly: EAFCA])

Action

The Projects Committee is requested to take note of this report.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>Anacafé</td>
<td>National Coffee Association (Guatemala)</td>
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<tr>
<td>BPR</td>
<td>Banque Populaire de Rwanda (Popular Bank of Rwanda)</td>
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<td>CBO</td>
<td>Cooperative Bank of Oromia</td>
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<td>CFC</td>
<td>Common Fund for Commodities</td>
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<td>CIB</td>
<td>Coffee Industry Board of Jamaica</td>
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<td>EAFCA</td>
<td>Eastern African Fine Coffees Association</td>
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<td>ETB</td>
<td>Ethiopian Birr</td>
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<td>ECX</td>
<td>Ethiopian Commodity Exchange</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAST</td>
<td>Finance Alliance for Sustainable Trade</td>
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<td>GAP</td>
<td>Good agricultural practices</td>
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<td>ICO</td>
<td>International Coffee Organization</td>
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<td>MoA</td>
<td>Ministry of Agriculture</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>OCCU</td>
<td>Oromia Coffee Cooperative Union</td>
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<td>PEA</td>
<td>Project Executing Agency</td>
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<td>SCAE</td>
<td>Speciality Coffee Association of Europe</td>
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<td>SMEs</td>
<td>Small and medium enterprises</td>
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<tr>
<td>TIN</td>
<td>Tax Identification Number</td>
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ANNEX I

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 to December 2013

Status of project implementation for components implemented during the reporting period

Component I: Access to commercial loans by smallholder

Working capital loan amounting to 13,800,000 Ethiopian Birr (ETB) equivalent to over US$700,000 has so far been availed to 11 cooperatives in Ethiopia under the credit guarantee scheme. All the cooperatives concerned are getting their loans directly from the banks for the first time in their history. The credit guarantee scheme is already creating the financial independence of cooperatives from their mother unions. An example is the Meliyo cooperative, Gewata Woreda which is served by Kaffa Union managed to secure a total of ETB 1,500,000 (US$7,722) when the union was unable to secure any loans from banks. This is indeed a demonstration the credit guarantee scheme is already increasing the confidence of the bank to venture into business relationships with cooperatives which are not regular customers. Cooperatives with no previous history of accessing loans directly now feel more empowered technically and have growing confidence in commercial banks. The achievements were realized due to the massive capacity building and sensitization activities implemented in the country during the year.

Training on good production and processing practices was undertaken in Ethiopia by the MoA (federal, regional, zone, and district) and CABI staff and covered all districts. The emphasis was on how to increase the productivity of and quality of coffee at farm level. Field missions were organized for the Cooperative Bank of Oromia (CBO) branch managers as part of awareness creation and to help cement the relationship between the cooperatives and the bank.

Similar results are expected in Rwanda during coffee year 2014. In this case however, the implementing institutions (CABI, National Agriculture Exports Board (NAEB) and Rabo Development, have agreed on an affirmative action which, if successful, will see up to 10 cooperatives secure loans through the guarantee scheme. Capacity-building will continue and close follow-up of the cooperative operations will be undertaken for those cooperatives which will secure loans.
Additional information on the criteria used by the CBO to screen cooperatives eligible for loans was collected collaboratively by the Ministry of Agriculture (MoA) personnel and CABI. A major challenge during the 2013 season was the requirement that all the cooperatives seeking loans should provide information on their Tax Identification Number (TIN) in addition to providing the TIN of one of the members of the management committee. This is a relatively new regulation by the Central Bank of Ethiopia requiring all banks to provide information of all entities seeking loans to the Trade Information Centre which is the Credit Reference Bureau of the country. Intensive sensitization and capacity-building activities were undertaken by MoA and CABI staff to demystify the belief held by the cooperatives that the TIN was meant to force them to pay tax on their income.

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

One cooperative in Ethiopia was assisted to purchase and install one wet mill. The financial resources were leveraged from sources other than the credit guarantee scheme. A total of 20 moisture meters have been secured through the MoA Ethiopia and will be distributed to the cooperatives which are taking part in washed coffee production. The equipment will be useful in ensuring better control of the coffee drying process and hence ensure that the coffee quality is maintained both during drying and storage. Training on the good use of improved processing facilities continued for the cooperatives which installed the facilities earlier. Further training was provided for industry managers and machine operators in the areas where new coffee factories were installed during the year.

**Component III: Strengthening of primary cooperatives and unions**

Capacity-building activities associated with this aspect of the project undertaken in Ethiopia concerned both training and exchange visits. A number of training activities were likewise undertaken in Rwanda during coffee year 2012/13. Training on good agronomic and processing practices was undertaken in May 2013. A total of 20 cooperatives were covered by the training, with each cooperative being represented by a lead farmer and a coffee factory manager. The training covered a variety of topics including seedlings preparation and planting, coffee maintenance (pruning, organic and mineral fertilizer application), pest and diseases control, coffee extension services, coffee processing, and cooperative management. The trainees were also enlightened on how the credit guarantee scheme works and how to access the services through the scheme.
Component IV: Enhanced access to production and market information

Basic information needs by producers and cooperatives in Rwanda were identified. These include turnover of coffee processed at the factories, costs of production, prevailing farm gate prices, and trends in international coffee prices. In the case of Ethiopia, the project is leveraging on the information system established through the Ethiopian Commodity Exchange (ECX) which provides daily market information electronically through the ECX billboards existing in most towns in the coffee growing regions.

Pre-harvest estimates of coffee yield, arrival and export are routinely complied by the MoA whereas post-harvest estimates are undertaken through the Central Statistical Agency. Both sets of information are availed through the website of the Central Statistical Agency. The project will likewise leverage on these resource.

Component V: Project coordination, supervision and monitoring

A number of field missions were made to engage with the cooperative management committees and try to jointly find solutions to emerging challenges constraining the ability of the cooperatives to effectively access commercial loans through the credit guarantee scheme. Potential alternative collaterals which can be used by the cooperatives in place of fixed assets were discussed during such visits and workable alternatives identified. The visits were also used to assess the cooperatives preparedness, examine cooperatives records and provide advice where necessary. Part of the backstopping activities concerned visits to district and regional authorities to sensitize the relevant authorities on the project activities and secure their support to the project cooperatives.

Annual Planning workshop was planned to take place from 18 to 20 December 2013 but was postponed to early 2014 due to a request by the staff of the Ministry of Agriculture, Ethiopia who could not make it due to urgent official functions. A proposed date of 13 to 15 January 2014 also could not materialize due to the same reasons. A new date will be negotiated in February 2014.

Social and environmental effects of project implementation

The impact of the project on both the family households and the environment are yet to be realized. However, it is expected that the project will empower the farmers with skills and knowledge to produce coffee more sustainably given that it will emphasize the use of water saving environmentally friendly coffee processing technology.
Forward planning of project implementation

The coming year will be dominated with intensive follow-up activities to ensure the loans disbursed in Ethiopia are properly used and that the loan repayment is done on schedule. In addition, sensitization and capacity-building activities will be undertaken for the 11 cooperatives which could not secure loans due to the complications brought about by the bank requirement concerning TIN. The target is to have the full guarantee portfolio for Ethiopia used up in 2014. In the case of Rwanda, the implementing institutions will push forward with the affirmative action agreed between CABI and Rabo Development, which if successful, will see up to 10 cooperatives secure loans through the guarantee scheme.

III. Conclusions and recommendations

Most of the project activities in Ethiopia will concern close follow-up of the 11 cooperatives which secured loans in 2013. This is very crucial given that this is the first time the cooperatives are having direct access to loans. Furthermore, it will be the first time the cooperatives are going to have direct marketing of their coffees. An additional 11 cooperatives will be targeted for coffee year 2014. The new cooperatives will require intensive capacity-building as well as nurturing to enable they start acquiring loans directly from the banks. A key activity to be undertaken in Rwanda will concern finding solutions to the current low level of loan approvals. In this regard it is recommended that the outcome of the meeting held in Amsterdam between CABI, the ICO, Rabo bank and the CFC be put into practice by identifying an additional bank to be engaged in the project.
COMPETITIVE COFFEE ENTERPRISES PROGRAMME
FOR GUATEMALA AND JAMAICA
CFC/ICO/46

Period covered by the report: July to December 2013

Status of project implementation

Component 1: Production

Activity 1.1: Nurseries

In Jamaica, 6,000 coffee seedlings were purchased during this semester to continue support for coffee producers in reactivating coffee production in project areas (non-Blue Mountain areas).

Activity 1.2: Technical assistance

In Jamaica, for each cooperative the specific subjects requiring training courses were identified to provide support for various organizational strengthening activities.

In Guatemala, three exchange visits were carried out in the Polochic region of the Alta Verapaz Department, involving 125 participants from beneficiary organizations. As part of the ‘training for young leaders’ an exchange of experiences was arranged for members of six organizations from the Santa Rosa region who visited the Cuzcachapa R.L. Cooperative in Chalchuapa, Santa Ana (El Salvador) to learn about administrative management and control systems for processing and planting.

A total of 221 members of beneficiary organizations completed the programme for a diploma in effective organizational management and training for young leaders.

Activity 1.3: Farm management

In Jamaica, the only other field activities carried out during this semester were related to commencing coffee harvesting and forecasting production in the newly planted areas, which were established in 2010 and are now coming into production.

In Guatemala, producers were incorporated into the regular training programmes provided by Anacafé, with continued priority for coffee leaf rust control. Demonstration plots were
established for this purpose and mechanical spray equipment was provided for the application of anti-rust products.

Component II: Post-harvest

Activity 2.1: Training activities

In Jamaica, the projected training activities for personnel who will be operating the wet-processing plant at the Saint Catherine Cooperative were not carried out since it was not possible to complete the construction work. It is planned, however, to provide practical training in the workplace with coffee producing members of the Cooperative.

Activity 2.2: Quality control

In Jamaica, the visit of the Anacafé post-harvest specialist offered an opportunity to conduct a special training workshop on quality control in wet-processing plants. This workshop was attended by all members of the Coffee Industry Board (CIB) team, as well as by operators of the processing plant where the workshop was held.

A similar workshop, on a more practical level, for operators who will be working in the wet-processing module remains pending.

Activity 2.3: Restructuring of wet-processing plants

In Jamaica a special visit was carried out in September to determine the activities required for the construction of a wet-processing plant in the Saint Catherine Cooperative. The Anacafé post-harvest specialist participated in this visit.

A visit to the proposed site was carried out by the construction company considered the most suitable for undertaking the work concerned.

Coffee producing members of the beneficiary cooperative also participated in a visit to the site, producing specific plans, establishing the areas involved and the activities to be carried out by cooperative members as a counterpart project contribution.

In Guatemala, work for coating the water piping in the wet-processing plant of the Chipolem-Chiyó Cooperative in Verapaces was completed, as well as construction of sanitary services in the Dos Ceibas Cooperative wet-processing plant in Jutiapa and modifications to coffee drying patios in the Flor Campesina Cooperative. Works carried out
in the Chijoton Cooperative were deemed satisfactory and pending payments were duly made.

**Activity 2.4: Management of sub-products**

The requirements of the NEPA (National Environment and Planning Agency) for authorizing the construction of a wet-processing plant include provision of treatment for residual waters and pulp management. Construction of both treatment plants to comply with these requirements is projected as well as support and training for coffee producers on the proper management of wet-processing plants, and management and use of coffee pulp through processing of sub-products, such as worm compost (vermicompost) and leachate.

**Component III: Promotion of local coffee consumption**

**Activity 3.1: Training**

In the case of this activity there has been a change from the original proposal: it is now proposed to establish a coffee school in Jamaica, directly managed by the CIB and aimed at promoting local consumption.

It should be noted that a coffee shop is already functioning in one of the three beneficiary cooperatives.

The final CIB budget for the establishment of the proposed school is awaited in order to determine the amount that the project can provide and the amount that the CIB will have to contribute.

**Component IV: Project Management**

**Activity 4.1: Project Coordination**

In the case of Jamaica, the established programming was implemented but could not be completed. A time limit extension of five months is being requested in order to complete the establishment of the wet-processing coffee plant and ensure that it is fully functional.

If this request for a Project extension is granted, the activities programmed for Jamaica would be supervised and a video of the activities carried out in both countries could be prepared for presentation at the project closing event.
At the beginning of this semester Mr John Belt, who was hired by the CFC to carry out a field evaluation of project implementation, visited both beneficiary countries, involving producer beneficiaries in these visits.

Activity 4.2: Administrative management

The main aim of this activity is to manage project funds in accordance with established guidelines so as to achieve the best results in both countries involved.

Evaluation of project performance and prospects by the PEA:

Evaluation of technical performance

Problems in Jamaica are mainly of a bureaucratic nature since the Ministry of Agriculture must be kept informed of activities to be carried out and authorize these activities under its own system.

In addition, the CIB is exempt from taxation, which means that each purchase made for the project is subject to negotiation of a tax claim, a process entailing considerable delays.

Moreover, on the part of the beneficiary cooperatives various obstacles were encountered in management of water and electricity bills.

In the case of the coffee school, a decision on whether an extension of the project period will be granted is awaited to begin work and ensure inauguration as soon as possible.

Evaluation of resource use

Resources use did not achieve 100% implementation since activities did not progress as envisaged in Jamaica and as a result no more funds were disbursed.

Following final revision and subject to consideration by the CFC a proposal can be made for investing resources from the Supervision and Contingencies credit provision for benefiting producers.

Evaluation of Project coordination and management

Although there were difficulties in receiving financing in time to pay suppliers, arrangements were made for the CIB to make payments for reimbursement later. Nevertheless, it
continues to be difficult to make real progress in terms of the timetable established at the beginning of the semester.

**Future planning for project execution**

The following activities are planned for Jamaica:

For the post-harvest component: completion of implementation of the wet-processing module.

For the agricultural component: complete delivery of inputs to each cooperative.

For the organizational strengthening component: terminate the specific technical consultations designed to meet the requirements of each cooperative at the financial-administrative level.

For the promotion of local coffee consumption: inauguration of the coffee school in the CIB.

In general, it is proposed to carry out end-of-project activities. A memorandum on the activities and a video depicting experience gained will be prepared for presentation during the project closure event in Guatemala.
Period covered by the report: July to December 2013

1.0 Assessment of technical progress

Key technical project progress was noted as follows:

- Training of 86% of target number of farmers. The target number of farmers to be trained in the period was 2,400 farmers of which 2,067 farmers were trained.
- Training of 80% of target trainer-of-trainers.
- Training of 60% of target additional master trainers. The only deviation in the period was the training of additional master trainers from Ethiopia to cover the vast coffee regions of that country. This brings the overall total trained in the project to 45 master trainers from the original 36 master trainers planned in the project.
- Commencement of the IT portal development.

2.0 Assessment of resource utilization

The key performance indicators considered for assessment of resource utilization under the period being reviewed include schedule and budget compliance. The total budget for 2013 was US$645,520. As at December 2013, the overall budget utilization was at about 67.5%.

3.0 Assessment of project coordination and management

The coordination and management of the project activities is undertaken in nine project participating countries. This is done on a roving-manager model basis whereby the overall project manager is resident at the project executing agency (PEA) base but overseeing the project activities in nine participating countries.

Given the complex nature of the project and multiple implementation activities, the roving manager model adopted in the implementation process was, within reason, effective in achieving the set targets, notwithstanding the constraints highlighted in this report.

4.0 Social and environmental effects of project implementation
In a nutshell the social effects (people element) implementing the project in the period under review included:

- Increased awareness of labour rights.
- Access to decent housing and education for children.
- Access to healthcare infrastructure. It was noted that entities like the Oromia Coffee Cooperative Union (OCCU) in Ethiopia had utilized some the premiums obtained from Fairtrade certification on constructing health facilities for the workers and the surrounding communities.

The environmental effects included:

- Monitoring and controlling of use of agro-chemicals.
- Growing consciousness to protect water sources, prevention of deforestation, prevention of pollution, prevention of soil erosion and sustainable energy use.

On the other hand noticeable economic and operational effects noted include:

- Improved record keeping.
- Good traceability of coffee along the value chain.
- Implementation of good agricultural practices (GAP) – a direct effect of training.
- Monitoring of business processes

5.0 Forward planning of project implementation

The project planning in the remaining project time frame is categorized into short-term, medium-term and long-term planning of project implementation.

In a nutshell, the key aspects in forward planning of the project implementation in the following stages:

- Short/Immediate stage where annual budget and work plan has been developed and approved. A financial audit for the 2013 period is also planned at this stage.
- Medium stage where finalization of the training activities and linking farmers to sustainable markets will be undertaken. Also planned for is the completion and operationalization of the IT portal. A final stakeholder’s workshop will also be undertaken at this stage.
- Long-term activities will mostly be undertaken after the project closes in November 2014. These include impact assessment and financial audit.
6.0 Lessons Learned

The lessons learned are only limited to the period under review. These included:

- The project budget cut of about US$252,000 from the European Union (EU) component, which occurred in middle of project implementation affected the project network diagram and necessitated strategic changes to the implementation of the activities.
- The budget utilization rate of 67% was attributed to delay processing of reimbursement request.
- Training of farmers for certification/verification must be accompanied by actual farmer entity certification.
- Multiple certification strategy has the potential to reduce the cost of certification; a lesson noted from the OCCU in Ethiopia.
- The cost of coffee certification was noted to be varied depending on the standard(s) involved. The main variable cost in certification is the compliance cost.

7.0 Conclusions and recommendations

Based on the implementation process in the period reviewed the following are the recommendations:

- Reduction in the period it takes to process reimbursement requests will enhance the speed of implementation of the activities.
- Trained farmer groups should be certified and/or from the current project budget.
- The project conceptual framework did not consider actual farmer certification/verification as a key performance indicator for project impact delivery. It recommended that farmer certification/verification of the farmer groups/entities that have been trained in the project could be undertaken within the current budget framework in order to maximize project impact. From the previous quarter about 1,500 farmers were certified by the 4C Association standard through utilization of the allocated National Coffee Institution budget.
- For analytical assessment of returns on investment regarding certification, a separate detailed study could be commissioned either within the current budget and work plan or indeed after the CFC/ICO/45 project ends in November 2014.