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Projects Committee
11th Meeting
9 March 2016
Addis Ababa, Ethiopia

**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 summarises individual progress reports submitted by each PEA for each project being implemented (see Section II of document [PJ-99/16](#)) 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 of this document is available in English only. Annex II and III are available in English and in French.

- 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:** Promoting a sustainable coffee sector in Burundi – (PEA: Kahawatu foundation)
- Annex III:** Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war in the Democratic Republic of Congo – CFC/ICO/51 (PEA: VECO)

Action

The Projects Committee is requested to take note of this report.

LIST OF ACRONYMS USED IN THIS DOCUMENT

BPR	Banque Populaire de Rwanda (Popular Bank of Rwanda)
BRD	Development Bank of Rwanda
CBO	Cooperative Bank of Oromia
CFC	Common Fund for Commodities
CIRAD	Centre for International Cooperation in Agronomic Research for Development
CNAC	National Confederation of Coffee-Growers' Associations
DPAE	Provincial Directorates of Agriculture and Livestock
ETB	Ethiopian Birr
ECX	Ethiopian Commodity Exchange
FFS	Farmer Field Schools
FRw	Rwandan franc
GAP	Good agricultural practices
ICO	International Coffee Organization
INERA	National Institute for Agronomic Study and Research
IWCA	International Women's Coffee Alliance
MRW	Micro washing station
NAEB	National Agricultural Export Development Board
OCCU	Oromia Coffee Cooperative Union
ONC	<i>Office National du Café</i>
PEA	Project Executing Agency
RTNB	National Radio and Television of Burundi
WWF	World Wildlife Fund

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

Period covered by the report: July to December 2015

Status of project implementation for components implemented during the reporting period

Component I: Access to commercial loans by smallholder

For the first time, the Development Bank of Rwanda (BRD) participated more actively in providing loans to the project cooperatives in Rwanda. The bank extended loans to four cooperatives totalling to FRW 478,000,000 (approximately USD 680,000). During the same period, Banque Populaire du Rwanda (BPR) extended loans to two cooperatives totalling to FRW 127,000,000 (equivalent to USD 180,000 on average). In total, 10 coffee cooperatives were supported to finalise their business plans for the purpose of receiving loans.

In the case of Ethiopia, a new milestone was achieved with respect to building a relationship with financial service providers. The primary cooperatives have managed to attract the attention of their mother Cooperative Unions when it comes to access to finances. In the past, the Cooperative Unions used to service only part of the financial demand of the Primary Cooperatives given that they were seen as not so viable and with limited options. This has since changed and the Unions are now competing with the banks to finance primary cooperatives as a means of securing coffee supply from the primary cooperatives. In the reporting year for example, 13 cooperatives accessed loans totalling to ETB7,347,000 (equivalent to USD360,000 on average) from their Unions. The Cooperative Bank of Oromia only serviced request from four cooperatives amounting to 2.2 million Ethiopia Birr (USD107,000 on average).

Market linkage support activities were undertaken in Rwanda for the cooperatives which received bank loans. Two cooperatives, Turengerikawa and Kotukanya were linked to GOMA Duty free exporters who bought the coffee at USD4.8 per kilogram of green coffee. A third cooperative, COOPROCAGI sold its coffee at USD2.9 per kilogram.

Loan recovery from cooperatives in Ethiopia continued as planned with most loans re-paid. Five cooperatives completed repaying the loans whereas the other six cooperatives entered into agreement with the bank to roll over part of the loans. In total, 11,729,500 Ethiopian Birr (Equivalent to USD574,700) was repaid. In Rwanda, the project continued to work with Duterimbere Kawa cooperative which had a default since 2012 to see how the loan could be repaid without the bank having to sell the property of the cooperative which was given as collateral. The cooperative is being linked to a marketer who can lease the facility and pay back the loan as part of the lease terms.

We negotiated with a private company to rent the cooperative assets in order to avoid the sale of these assets so that it can save the property. The cooperative has already paid Frw5,000,000 through this rent.

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

The Farmer Field School approach was used in Rwanda, to facilitate training of 20 cooperatives. Agronomic practices covered during the reporting period included canopy management, pest control and appropriate fertiliser/pesticide use. With respect to improved processing practices, 10 coffee washing stations operators were trained on coffee cupping and how to relate coffee quality defects to faults in coffee processing. Evaluation of samples from the washing stations was undertaken by professional coffee cuppers and will be used to guide further advisory activities. To enable comparison with the cooperatives outside the training programme, coffee samples from neighboring non project cooperatives were taken for evaluation as controls.

An Exchange visit and on-site practical training were undertaken in Ethiopia between 1 and 5 November 2015 during which cooperative offices, coffee processing stations of cooperatives and private operator, and coffee nursery site were visited by the participants. The event was conducted in Yirgacheffe woreda of Gedeo zone, Aleta Wondo, Dale and Wonsho weredas of Sidama zone. It was attended by 66 participants representing 22 primary cooperatives participating in the current credit guarantee scheme, their promoters, cooperative promotion and coffee quality/marketing experts drawn from all the 8 zones and 12 Woredas participating in the current scheme, and an expert from the Oromia CPA. The activity was aimed at facilitating experience and information sharing on cooperatives management; coffee processing; coffee trade, and other related aspects. In addition, the intention was to motivate the participants and to effect changes in their attitude, behaviour and practice. The training focussed on coffee harvesting from harvest to storage, coffee marketing and associated activities and effective management of cooperatives

Component III: Strengthening of primary cooperatives and unions

Training of project cooperatives in Ethiopia was undertaken between 3 and 4 August 2015 in Nekemte, Asebeteferi and Wolayta Sodo towns. This concerned four training modules, namely, corporate governance, financial literacy, business planning and coffee value chain and marketing. The training in Asebeteferi and Nekemte towns were conducted in Oromiffa language whereas the sessions in Wolayta Sodo town were conducted in Amharic language. A total of 87 participants from 22 cooperatives selected from Oromia and SNNP regions attended the training. These comprised the Chairpersons, Secretaries, Treasurers and Bookkeepers from each of the cooperatives. In addition, the Cooperative promotion agents supporting the cooperatives also participated in the training.

In the case of Rwanda, capacity building for cooperatives was preceded by an assessment exercise to determine the current level of performance of the cooperatives and unions. The assessment took part between 6 and 14 July 2015 and covered 21 cooperatives in 13 districts from Western, Southern, Eastern and Northern provinces. The results of the assessment indicated that the cooperatives are still at different levels of performance. In particular, it was noted that there is poor capacity among Board members both at cooperatives and union levels and that the unions offer limited services to the affiliated cooperatives.

With respect to cooperatives, it was noted that there is great variation with respect to the level of management as well as in coffee production and processing. Some of the cooperatives had poor governance and had limited skills in financial management. Some of the cooperatives had established good relationships with exporters and were receiving good payments for their coffee. Most of the cooperatives visited have low level of capitalization.

Four day training was held in HUYE and Kigali from 21 to 24 July 2015. The training was organized by Banque Populaire du Rwanda (BPR), NAEB (National Agriculture Export Board) and sponsored by Rabobank. In total, 74 participants (18 women and 56 men) from 19 cooperatives were trained.

Component IV: Enhanced access to production and market information

Dissemination of price information continued in Rwanda coordinated by NAEB. The information was disseminated to the project cooperatives by email.

In the case of Ethiopia, price information continued to be disseminated through the electronic system of the Ethiopian Commodity Exchange.

Component V: Project coordination, supervision and monitoring

The annual planning workshop was held from 13 to 18 April 2015 in Hawassa, Ethiopia. The workshop discussed progress made since its inception and identified areas which still needed to be addressed in order to enable the project to meet its set objectives. The challenges experienced by the implementing partners were likewise discussed. The work plans and budgets 2015 were discussed and agreed upon. A field trip was organised to one of the cooperatives which benefited from the project.

The workshop observed that the set objectives in respect to the building of cooperatives and farmers in both Ethiopia and Rwanda had largely been met. Nevertheless, additional capacity building and follow up activities will be necessary to ensure the current cooperatives continue

in their path to progress and newly recruited ones are supported. Most importantly, it was observed that follow up activities need to be intensified to ensure any loans which are outstanding are repaid in good time. In this regard, it was recommended that the 2015 budget should emphasize communication, to support the implementing partners have better mobility given that the regions where the project is implemented are quite remote.

Concerning access to commercial loans by the primary cooperatives, it was observed that the two participating countries had registered different levels of success. In Ethiopia, up to 15 cooperatives were already receiving loans from the Cooperative Bank of Oromia (CBO). The Coffee Unions were also competing with the commercial bank to provide loans to the cooperatives, an indication that the primary cooperatives in Ethiopia were seen as less risky by the financial service providers. Concerning Rwanda, progress in facilitating access to commercial loans by the primary cooperatives was still limited. Only three cooperatives received loans in the first year of the project out of the 22 cooperatives initially enlisted. The second and third year of the project had similarly poor performance, with only two cooperatives receiving loans whereas cooperatives benefited from the loans in year four.

V.2 Assessment of resource utilization

V.3 Assessment of project co-ordination and management

One steering committee meeting was organised in Ethiopia in March 2015. Rwanda did not have a steering committee during the period.

V.4 Social and environmental effects of project implementation

The impact of the project on both the family households and the environment are expected to be positive. The project has empowered the farmers with skills and knowledge to produce coffee more sustainably, emphasizing the use of water saving environmentally friendly coffee processing technology.

V.5 Forward planning of project implementation

Aftercare activities will be put in place during the last year of the project in line with the recommendations of the external review. Follow-up of cooperatives which secured loans through the guarantee scheme in Ethiopia and Rwanda will be undertaken to ensure the coffee processed using the credit guarantee facility are sold in good time and the disbursed loans are repaid within the stipulated period. All reports will be compiled and synthesized into the Final Technical Report. As far as possible, training on good governance as well as good production and processing practices will be undertaken for cooperatives in Ethiopia and Rwanda during the first semester of 2016.

PROMOTING A SUSTAINABLE COFFEE SECTOR IN BURUNDI

Period covered by the report: July to December 2015

Introduction

Launched on 23 July 2013, activities take place in seven communes in Ngozi province (Ruhororo, Gashikanwa, Kiremba, Tangara, Ngozi, Nyamurenza and Mwumba), two communes in Karusi province (Gitaramuka and Bugenyuzi), and one commune in Gitega province (Mutaho). The activities detailed below were conducted over the period from July to December 2015 and were in the fields of promoting good agricultural practices; promoting women involvement in coffee farming and income generation activities, access to inputs, finance and markets; business management and pests and diseases management;

1. Promoting good agricultural practices that conserve soil, water and the environment

Training in good agricultural practices

Training in good agricultural practices has continued. Kahawatu has, since the start of its operations, organised practical and theoretical training on good agricultural practices with a particular emphasis on mixed fertiliser application, pruning, mulching, weeding, management of diseases and pests of coffee, erosion control, as well as the production and the preservation of coffee quality.

Promotion of pests and diseases management

A new introduction to good agricultural practices has been the promotion of beetle traps to address the proliferation of berry borer population in coffee farms. Indeed, the traps are adapted to the biology of the insect and its powerful attractive blend, the trap is a sustainable weapon to reduce the coffee berry borer population, which can cause yield losses of 30% with 100% of berries infested at harvesting time.

Promoting organic fertilization

Farmers have been trained on a compost tea extraction method. It is a new technique for producing a liquid extract of compost rich in micro-organisms that accelerate mineralization of organic manure applied to coffee trees.

Promoting coffee as a family business

The concept developed by Kahawatu includes the need for farmers to get basic skills not just in agronomy but also in broader farm management. Diversification of farm activities, including food crops production have also been introduced. Furthermore, Kahawatu provides workshops on ‘coffee as a family business’, financial literacy, as well as supports the farmers with agricultural equipment, fertilizer and coffee seedlings.

2. Facilitating access to inputs, finance and markets

All the activities involved in establishing nurseries (sowing, seedling beds, shade houses, potting, pricking out of plantlets, etc.) were conducted once the recruitment of nursery men was complete. The process resulted in the establishment of one nursery at each of the 10 washing stations, supervised by two nursery men per station. The 10 nurseries produced 273,361 plants which will be sold at a subsidised price to farmers during November 2015, enabling the recipients to rejuvenate their ageing plantations. Agricultural materials and equipment were distributed to members in April. These include waterproofs, pruning shears and borer traps. It should be noted that the socio-political situation has hampered the distribution of these tools.

3. Promoting gender in the coffee sector

The Rama Dufatanemunda ('We must stand together') project for sustainable development is a project that supports women coffee farmers. It aims to help improve women coffee farmers' living conditions by making it easier for them to access land, agricultural inputs and capacity-building programmes to promote good agricultural practices. Kahawatu's support for the association includes building capacity to organise and manage the association, cash account bookkeeping, and the planning and drafting of articles and by-laws. With Kahawatu's support, the association has obtained a plot of land that will become a coffee plantation owned fully by the associations' members. Agricultural materials and tools were provided by Kahawatu by way of an incentive. Kahawatu facilitates also the sharing of knowledge through exchange visits with other associations. The association has received a support from the national chapter of the IWCA.

4. Fund raising activity

In order to continue its programme, Kahawatu has started a fund raising activity. Recently a group of employees of the Starbucks coffee company in the United States made a US\$1,400 grant through Kahawatu Burundi to support a female-led cooperative producing

coffee in the North of Burundi. With the money raised during a fundraiser the cooperative was able to purchase food crop seeds. The ICO has been approached to assist the fundraising activity by providing a letter of support to Kahawatu.

Conclusion

Most of the activities that had been planned for the period between July and December 2015 were carried out. Nonetheless, some activities experienced delays as a result of the socio-political situation. It should be noted that on the ground, the beneficiaries appreciate the support provided by Project Kahawatu and are highly motivated to participate fully in the activities organised.

**Qualitative and quantitative rehabilitation of coffee
with the aim of improving living conditions of coffee farmers
afflicted and displaced by war in the Democratic Republic of Congo
CFC/ICO/51**

Period covered by the report: July to December 2015

1. Status of project implementation

The project is still on track in terms of coffee quality improvement through micro-washing stations and the get-together of coffee growers into specialized coffee cooperatives. The market component improves to an unexpected level with buying intentions of specialty coffee coming from everywhere with interesting quality bonuses compared to New-York (farmers used to get a negative price differential locally) and demand well beyond the current supply capacities of accompanied co-operatives. Nurseries perform better in Idjwi territory but in total, nearly 60% of foreseen seedlings have been planted. However, cooperatives' selling efforts are hampered by free seedling distribution by other projects and organisations (SOPROCOPIV/ELAN, Virunga Coffee). Action-research of local formulas against pest and diseases led in partnership with INERA and UCG are ongoing. Coffee productivity increased 30% which seems normal after two years of intervention thanks to FFS which follow a few steps to remain sustainable.

Major constraints are: timely access to pre-financing, volatility of New York prices for Arabica (in 2015), how to maintain the momentum of coffee growers for building and equipping all new groups of micro-washing stations beyond our budgetary provisions, the firm demand for gourmet coffee from key buyers. The lack of matching money for supporting field trip of ONC's agronomists somehow imbalances our partnership and may worsen as ONC's direction recently decided to halve work time and salaries of its staff in order to cope with the current financial crisis.

**Component 1: support to the sustainable increase of
coffee productivity for smallholder coffee farmers.**

The yield has increased by 44% in Idjwi (0.5t to 0.72 t/ha), 12.5% in Lubero (0.8t to 0.9 tonne/ha) and 10% in Beni (from 1.2t to 1.32 t/ha for 70% of attendees of FFS). The structuring of FFS has been done both in South Kivu (19 groups with 418 total members, amongst them 165 female attendees) and North Kivu 73 groups (23 groups structured with ONC in Kawa Kanzururu and 50 in Kawa Kabuya, totalling 1909 farmers, or on average 26 farmers per FFS). Themes developed in the FFS include weeding, pruning, selective harvest of cherries and pests and disease prevention using local knowledge. FFS have to accelerate sessions everywhere

with proximity accompaniment by ONC and INERA with a clear repartition of roles. The implementing team is worried by ONC's failure to make available counterpart agronomists, necessary for field work as it is facing budgetary austerity. Discussions are ongoing and the director of ONC/Beni is promising to secure funds for 2016.

Component 2: Improving farm gate coffee prices through quality improvement

During the first semester of 2014, 25.2 tonnes of K4 were sold to SOPEX and SOPROCOPIV by SYDIP (FO partner of VECO) and 19.26 tons of K4 were sold to SOPEX by CPNCK, through the project support), prepared from farm-washed parchment.

Farmers get paid upon delivery of well picked ripe cherries. The price paid was high, inspired by the general increase of New-York prices linked to drought in Brazil. The fact that farmers did no longer have to process cherries at their farm attracted more members. They also expected a second payment after selling the coffee. The 3 cooperatives (the fourth one, CPNCK, is currently in full harvesting season) produced 23.6 tons of K3 and they did sell 19.2 tons to SUCAFINA via Phusys International at 3,700\$/mt.

Component 3: enhancing the efficiency of the value chain through better governance of the coffee sector

A decree limiting government levies for export services to 0.25% of FOB value has been signed by the finance minister and is being applied since last December 2015, as a result of joint advocacy efforts of the exporters association (ASSECCAF), the farmers' confederation CONAPAC and others.

VECO and its partners are feeding the advocacy groups with data, (export taxes and smuggling of coffee), (in)formal contacts with ministers and provincial governments are nurtured and advice about joint strategies to influence decision makers is discussed.

Component 4: inclusive project management and coordination

The regional project coordinator has supported the whole process by elaborating a model for cooperative by-laws, negotiating and preparing contracts with collaborating partners like ONC, INERA and cooperatives (institutional matters). Coffee growers' structures are meant to be permanent and each project must contribute to that. Many meetings have been held to stress that and to shift the mind-set of those agronomists who are less preoccupied by results than by what remains in their hands after many unpaid salary months.

Assessment of resource utilization

Up to December 2015, when the project was halfway, expenditure had reached 53 % of the overall budget. Given the unexpected developments in terms of number of new washing stations that more farmers are adhering to, VECO is negotiating a budget frontloading with CFC. VECO did order the necessary equipment for the MWS, even if fiscal immunity has not yet been granted two years after the start of the programme and all import duties and VAT are to be paid. Farmers should indeed not be victimised because of the governments' red tape.

Social and environmental effects of project implementation

Coffee growers are still facing poverty due to their powerless position in the value chain and poor treatment of coffee, low yields and ignorance of the market logic. Grouping farmers into MWS and cooperatives increases their solidarity and business engagement capacities as a strong economic entity. Coffee co-operatives have held their annual assemblies to discuss general matters and ways forward of their coffee business. They did adopt a strategy of selling coffee both by micro-lot and bulking according to geographical axes as a means of remunerating efforts invested in quality and as a way of attracting best prices from gourmet coffee buyers. They also set a strategy of exporting together as a way of reducing costs and fulfilling sales contracts.

Forward planning of project implementation

Equipping more new MWS with material already ordered (import ongoing) and optimizing the existing ones will strengthen the co-operatives in meeting demands of specialty coffee buyers. The plastic sheet for roofs is not resisting against winds as well as hoped: we are replacing them with corrugated steel sheets in a cost sharing system between the project and organized coffee growers. This will allow to maintain a high quality score (even during heavy rainy period like this year's El Niño) and increase the credibility of cooperatives towards confident buyers.

Lessons learned

- The approach adopted by VECO mobilizes both funders and coffee buyers. The ball is in the camp of cooperatives to catch all those golden opportunities
- The quality of coffee is a strong negotiating factor with buyers. International buyers are getting quite excited and are vying to get it once they have tasted coffee from the co-operatives. The market of gourmet coffee is no longer a problem.

- Access to credit needs to be up-scaled otherwise the lack of working capital may compromise the project results due to deceived farmers selling their cherries elsewhere. Coffee seasons correspond to period during which farmers strongly need cash to pay school fees (reopening of the school, first semester exams) of their children and to celebrate the end of the year.
- There is still a need to promote Congolese speciality coffee as a single origin in other markets apart from New York in order to create Congolese coffee brands and then attract more and more buyers.
- Although the volatility of coffee prices imposes frustration on all actors (especially cooperatives), if buyers are still paying a good quality bonus to cooperatives, then farmers can still sell their cherries to MWS while local intermediaries will stop buying. So the co-ops increase the farmers' resilience against volatile prices.
- The current enthusiasm and commitment of coffee growers requires additional fundraising for up-scaling in order to facilitate the construction of more MWS. VECO needs to cope with the intensifying farmer mobilization. The start of the IFAD project will be a welcome development.
- Increased productivity on coffee farms, combined with quality processing will generate more profit to farmers and hook them up to the coffee sector.
- The ONC management problems negatively affect the know-how and enthusiasm of its agronomists. They will be motivated only if all means are made available for their field visits.

Conclusions and recommendations

Indicators linked to marketing, resulting from considerable quality improvement in the MWS, are very promising and market shares of cooperatives will rise in the coming years, given the significant progress they have made since they first entered the speciality coffee market, hardly a year ago. At the same time, new challenges related to the cooperatives' capabilities to meet booming demands are rising. Access to bigger volumes of affordable working capital for the cooperatives is now becoming critical and securing funds for double certification (which may take up to 18 months in DRC) as a protection against price volatility has become a necessity. VECO will focus its facilitation efforts on cooperatives' sustainable access to credit and will also build a coffee knowledge community with committed actors in the coffee industry.