



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACION INTERNACIONAL DEL CAFE
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFE

EB 3696/98 (E)

22 December 1998
Original: English

Projects/Common Fund

PROJECT PROFILE PROPOSALS

REHABILITATION OF COFFEE PRODUCTION
IN COUNTRIES UNDER RECONSTRUCTION
AFTER PERIODS OF MAJOR DISRUPTION

Executive Board
27 - 29 January 1999
London, England



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PROJECT PROFILE PROPOSALS

REHABILITATION OF COFFEE PRODUCTION IN COUNTRIES UNDER RECONSTRUCTION AFTER PERIODS OF MAJOR DISRUPTION

- I. **Angola** **Rehabilitation of farms producing Robusta coffee following civil war**
- II. **Honduras** **Rehabilitation of coffee agro-ecosystems following damage caused by Hurricane Mitch**
- III. **Nicaragua** **Transformation of the Nicaraguan coffee agro-industry following civil war and damage caused by Hurricane Mitch**

1. The Executive Director has received a number of project profiles concerning the rehabilitation of coffee in countries which have suffered major disruptions. In this context it may be noted that paragraph 16 of the Organization's document International Development Strategy for Coffee (EB-3531/95 Rev. 2) states:

"In cases where producing countries have suffered large decreases in production for reasons of *force majeure*, it may be appropriate to encourage programmes to secure a recovery in production capacity". All three countries submitting projects have suffered such decreases. Furthermore because the cases are different in some respects insofar as damage was caused by climatic factors in Honduras, socio-political factors in Angola and a combination of both in Nicaragua the projects can be seen as useful pilot projects with respect to action needed for coffee rehabilitation.

2. The Organization has already consulted the Secretariat of the Common Fund for Commodities (CFC) with regard to these projects and the profiles will be submitted for informal review by the Consultative Committee at its meeting in January 1999. It is considered likely that the CFC may propose granting Project Preparation Facility (PPF) finance for further development of these projects. In the meantime the Board is asked to consider whether it wishes to approve these project outlines in principle, bearing in mind that further work will be needed.

3. Although each project for individual countries has been submitted separately to the CFC, in order to expedite circulation of the basic details in the form of ICO documents the summaries corresponding to each project are included together in this document. Members should note that more complete versions of the project profiles are available in English and Spanish to Members on request.

I. Summary of the Angola rehabilitation project

The International Coffee Organization (ICO) hereby submits the following pilot project proposal with its recommendation for financing through the Second Account of the Common Fund for Commodities (CFC). The proposal will be submitted to the Executive Board of the International Coffee Organization for its approval on _____ 1998 following the recommendation of the Executive Director of the International Coffee Organization.

Project title: **Pilot project to contribute to the rehabilitation of the coffee sector in Angola: Rehabilitation of family farms producing Robusta coffee**

Duration: Three years

Location: Robusta coffee-producing regions in Angola, namely South Kuanza, North Kuanza, Uige, Bengo, Zaire, Cabinda and Malange

Nature of the project: This pilot project aims to contribute to the rehabilitation of coffee farms, in the first part covering agro-technical activities that will be carried out by farmers and their families, with the guidance and assistance of NCIA technicians.

Estimated total cost: Total: Around **US\$3,000,000**
Credit line fund (to be determined)
Investment loan fund (to be determined)
Grants(to be determined)
Counterpart contributions (10 percent of total costs)

Financing sought from the Common Fund: Grant (at least X percent of estimated total cost)
Credit line fund (to be determined)
Investment loan fund (to be determined)

Counterpart co-financing: (10 percent of total costs)

Project Executing Agency: To be determined

Supervisory Body: **International Coffee Organization**

Collaborating institutions: **SECAFE and NCIA (Angola); Institute of Agricultural Research in Coffee (Portugal); ... others**

Objective and scope
of the project:

In order to contribute to the achievement of the rehabilitation of the coffee sector in Angola, this pilot project is targeted to alleviate poverty situation on small family farms, specifically by assisting producers with agro-technical activities related to coffee production such as weeding, pruning, replanting, fertilising, regulation of shade and phytosanitary measures. Thus, the main objectives of the project are to restore coffee production capacity by attaining yields of 350kg./Ha and as a consequence to promote and support the expansion of rural coffee markets.

To achieve these goals the project will be divided into four main components:

- (i) developing nurseries, varietal trials, breeding, disease and pest management with the guidance of local NCIA technicians.
- (ii) enhancing agro-technical coffee growing and processing management by the transfer of knowledge via training and extension and participatory action;
- (iii) technical and financial support for market re-organisation by integrating policy formulations and support of the private sector.
- (iv) In addition, careful monitoring of the project achievements can provide the basis for reproducing valuable experience and identification of obstacles to avoid.

The project activities will be located in determined geographical areas of Angola, as mentioned above. Outputs from the project will lead to more effective management practices which will be communicated to the farmers via extension workers through training activities and directly to the farmers by farmer participatory approaches.

The project will be effected through collaborating organizations such as the National Institute for Coffee in Angola (NCIA) and the participation of well known institutions such as the Institute of Agricultural Research in Coffee (Portugal) to strengthen international inter-institutional cooperation.

Priorities for international action contained in this proposal were identified through reports provided by the countries involved in the project.

Estimated
starting date:

September 1999

II. Summary of the Honduras rehabilitation project

The International Coffee Organization (ICO) hereby submits the following pilot project profile proposal with its recommendation for financing through the Second Account of the Common Fund for Commodities (CFC). The proposal will be submitted to the Executive Board of the International Coffee Organization for its approval on January 1999 following the recommendation of the Executive Director of the International Coffee Organization.

Project title: **Financial and technical support for the strengthening and rehabilitation of coffee agro-ecosystems: a Pilot Project to contribute to the rehabilitation of the coffee sector in Honduras.**

Duration: Three years

Location: Honduras, Arabica producing country where major disruptions caused by Hurricane Mitch have provoked severe losses in the coffee sector.

Nature of the project: To develop overall rehabilitation activities for coffee farms and their physical and social environment, within a technological framework of sustainable coffee growing.

Estimated total cost: **US\$3,000,000**

Financing sought from the Common Fund: **US\$3,000,000**

Form of financing sought from the Fund: **US\$1,500,000 - in the form of a grant
US\$1,500,000 - in the form of long-term loans**

Method of co-financing: A combination of loans and grants

Counterpart contributions: in kind

Project Executing Agency: ***Instituto Hondureño del Café IHCAFE***

Supervisory Body: **International Coffee Organization**

Objective and scope
of the project:

After severe major disruption, this country needs to rehabilitate its coffee sector. In order to contribute to the achievement of this goal, this project addresses the following three main components:

- (i) **A technical and economic feasibility study for conversion of wet method of processing**
This study aims to define the profitability of this activity, as well as the financial capacity of producers and credit institutions.
- (ii) **Overall rehabilitation of farms affected by Hurricane Mitch**
This will permit rehabilitation and management combining agro-forestry system methodology with post-harvesting technology based on ecological processing parameters.
- (iii) **Institutional strengthening**
This component aims to strengthen the technological capacity of the project in order to ensure efficient and appropriate technical assistance and informal training in agro-forestry systems for coffee, maintenance and repair of wet-processing equipment, integrated management of pests and diseases, soil and water management and conservation, ecological processing, and treatment of wet-processing residues.

The project activities will be focussed in determined geographical areas of Honduras benefiting directly or indirectly 20,000 coffee farmers. Outputs from the project will lead to more effective management practices which will be communicated to the farmers via extension workers through training activities and directly to the farmers by farmer participatory approaches.

The project will be effected through the collaborating organization, *Instituto Hondureño del Café*.

Priorities for international action contained in this proposal were identified through reports provided by the countries involved in the project.

Estimated
starting date:

September 1999

III. Summary of the Nicaragua rehabilitation project

The International Coffee Organization (ICO) hereby submits the following project profile with its recommendation for financing through the Second Account of the Common Fund for Commodities (CFC). The profile will be submitted to the Executive Board of the International Coffee Organization for its approval in January 1999 following the recommendation of the Executive Director of the International Coffee Organization.

Project title: **Transformation of the Nicaraguan coffee farming agro-industry: Processing - Quality - Marketing**

Duration: 48 months

Location: Northern and central coffee-growing regions - Nicaragua.

Nature of the project: The project aims to rehabilitate and transform wet processing of coffee by smallholders, in order to achieve quality improvement at the wet process stage and so produce a quality coffee which can provide higher export earnings for the rural areas and the economy as a whole.

Estimated total cost: **US\$6,600,000**

Financing sought from the Common Fund: **US\$6,000,000**

Form of financing sought from the Fund: **US\$3,000,000 - in the form of a grant
US\$3,000,000 - in the form of long-term loans**

Method of co-financing: **A combination of loans and grants**

Counterpart contributions: **US\$600,000 in kind**

Project Executing Agency: **Ministry of Development, Industry and Trade, through the Nicaraguan Coffee Commission CONICAFE**

Supervisory Body: **International Coffee Organization**

Objective and brief description: The main aim of the project is to restore the installed capacity of the coffee farming industry, specifically the wet processing capacity that was severely affected by Hurricane Mitch, through more efficient and careful preparation at the processing stage while, at the same time, making a significant impact on reducing the contamination of water resources caused by traditional wet processing.

The project will have a significant economic impact since the recovery of investments will be risk-free given the increase in supplies of fine exportable coffee. The positive socio-economic impact will be equally important since there will be a reduction in the use of water resources and neighbouring communities will benefit from a supply of clean water for multiple use.

Contamination of water during the wet processing of coffee (the washing process) will be prevented through the adoption of efficient and ecologically appropriate technology, that is through the development, application and transfer of know-how and technology for the "Ecological processing of coffee and management of waste products", improving the profitability of coffee growers.

The project aims to achieve improved management of renewable resources, particularly water, and sustainable development of production and the processing of washed coffee through the dissemination of sustainable environmental practices.

The components of the project are as follows:

- (i) technical research and benchmarking;
- (ii) training and transfer of technology;
- (iii) investment in wet processing plant;
- (iv) financing; and
- (v) monitoring and evaluation.

Estimated
starting date:

Second quarter of 1999