



Organización Internacional del Café
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**Guidelines for the monitoring by the
Organization of coffee projects financed by
the Common Fund for Commodities**

Background

This document, issued as WP-Board No. 838/97 Rev. 1, was approved by the Council at its 89th Session held from 17 to 19 September 2003 in Cartagena, Colombia.

MONITORING BY THE ORGANIZATION OF COFFEE PROJECTS FINANCED BY THE COMMON FUND FOR COMMODITIES

Introduction

1. On the basis of the Manual of the Common Fund for Commodities¹ and the complementary documents on this matter issued by the Organization², this document summarizes the obligations and functions of the International Coffee Organization as the International Commodity Body (ICB) designated by the Fund to monitor the progress of coffee projects during implementation and to disseminate results. The responsibilities of the ICO as Supervisory Body (SB) for the stage from formulation to approval of projects to be financed by the Fund are detailed in document EB-3573/96 Rev. 4.

2. In particular, this document provides guidelines on the “management” of coffee projects approved for financing by the Fund, highlighting the obligations of the ICO as SB and the evaluation and monitoring functions to be carried out in collaboration with the Fund. The aim is to define and establish the obligations of the Projecting Executing Agency (PEA) at each stage in the implementation of the project and the obligations of the ICO in relation to the dissemination of the project results during and after execution.

3. In order to clarify the supervisory role of the ICO, distinguishing between actions relating to the preparation of the project launch and those involving implementation of the planned activities, this document is divided into two parts. The first covers all activities of an organisational nature to be carried out between final approval of financing by the Fund and the official project launch. The second covers all technical and operational activities relating to the nature of the project and required for its implementation.

¹ The 5th edition of the Manual for the preparation and management of projects to be financed by the Common Fund for Commodities was published in May 2003. The most recent version of the Manual can be found, in English, on the CFC website: www.common-fund.org under Publications. French and Spanish versions will be available later in the year. In the present document reference will be made to page numbers in the English version of the 2003 Manual in order to avoid unnecessary repetition.

² See documents EB-3573/96 Rev. 4: "Basic information on the submission of applications to the Common Fund for Commodities for financial support for activities related to coffee", ED-1837/02 Rev. 1, EB-3652/97, EB-3835/02 Rev. 2 and EB-3768/01 Rev. 2.

I. Supervisory role of the ICO between final approval of financing by the Fund and the official project launch

4. Once the project proposal has been approved by the CFC Executive Board, the Fund will circulate copies of the CFC Final Appraisal Report to all parties involved, together with a list of the legal documents which have to be signed and which define the obligations of the respective parties involved in the financing, implementation and supervision of the project.

5. The following legal documents are part of the prerequisites for initiating implementation of the project:

- a) Project Agreement between the Fund, the ICB and the PEA on the terms and conditions agreed during the preliminary evaluation stage and incorporated in the Project Appraisal Note;
- b) Grant Agreement between the Fund and the ICB; and
- c) Loan Agreement between the Fund and the borrower(s) when financing includes a loan, together with a Guarantee Agreement to be signed with the guarantor(s).

6. In order to reduce to a maximum the period which elapses between the negotiation and signature of the Loan Agreement between the Fund and the competent authorities of the beneficiary country, it is suggested that the Delegate designated by the Government, given his/her knowledge of the institutions involved and their specific functions, should take an active role in the process of technical and legal consultations involved in such negotiation.

7. Once the Agreements have been signed, the next stage involves preparation for the official project launch. It should be noted that in the case of projects including financing in the form of loans, a project launch can be held before completion of the final negotiation and signature of the Loan Agreement. This concession is usually made in order to avoid delays in implementation once the project has been approved.

8. The first transfer of resources will cover, inter alia, the costs of the preparation and official launching of the project, and is subject to the following disbursement conditions:

- a) the Project Account in convertible currency having been opened by the PEA;
- b) the persons authorised to operate the Project Account having been designated;
- c) the Project Implementation Agreement (PIA) having been signed by the PEA and the participating institutions;
- d) endorsement by the Fund and the ICO of the first Annual Work Plan and budget; and
- e) confirmation of co-financing.

9. The project launch marks the official beginning of project implementation activities. A launching meeting is held involving the Fund, the ICO, the PEA and, preferably, the

beneficiaries or their representatives. At the inauguration meeting, which is the first contact in the field between the parties, the project objectives and the procedures for monitoring during implementation will be explained, as well as the responsibilities of each of the parties involved. Requirements in relation to the form and frequency of the PEA reports to the SB will also be specified at this meeting. In addition, the SB will specify its monitoring procedures and all parties will be notified of the obligation to report to the Fund in English³.

10. The project launching meeting provides for discussion of the work plan and budget for the first year with all project beneficiaries; which will be prepared in advance by the PEA and endorsed by the Governments and/or the designated institutions involved in project implementation. The responsibilities of each of the executing agencies in the planning of activities and the use of resources assigned for the implementation of the project within the time period specified will also be defined. It is important to ensure that all the parties involved are familiar with the basic accounting requirements for project implementation in order to maintain a constant flow of the information to be used by the PEA for the preparation of six-monthly reports.

II. Monitoring role of the ICO from the beginning of project implementation to the dissemination of results

11. Once the project has been officially launched, the ICO will carry out monitoring of day-to-day project management by the PEA and, in collaboration with the Fund, will also be responsible for financial monitoring, supervision and evaluation of the progress of implementation. The responsibilities involved are detailed both in the CFC Manual and in the appraisal report and various agreements signed (see paragraph 5 above).

12. The technical and operational activities of the PEA will be monitored by the Fund and the ICO through the progress reports, which will also be analysed, together with annual work plans and budgets, during monitoring visits to the project site to be undertaken annually. Project supervision includes recommendations that may arise from mid-term reviews and impact assessments normally carried out by independent consultants.

13. With regard to obligations and responsibilities relating to the use of financial resources for implementing the project, it should be noted that procedures have been established for making disbursement applications to the Fund, for the procurement of goods and services, and for the submission of financial and auditing reports, as specified in the Agreements and the CFC Financial Procedures Manual. These procedures provide the basis for the establishment and operation of local Implementation Management Committees, which

³ *At previous sessions, the Council of the Fund decided that for budgetary reasons English would be the only official working language used.*

are responsible for local control of all decisions relating to the use of funds for the implementation of agreed activities within the time period specified in the CFC Appraisal Report.

Progress reports on implementation

14. On the basis of the technical reports received from other institutions involved in implementation of the project, the PEA will be responsible for preparing six-monthly progress and financial reports for subsequent submission to the Fund through the ICO. Reporting requirements are specified in the Project Agreement and the format of such reports is set out in Annex VI of the CFC Manual. The Annex is updated periodically and can be found on the CFC website: www.common-fund.org under “Publications”.

15. The PEA is expected to report on the project's overall achievements through its progress reports and verbal presentations to the Council. The PEA is also required to inform the Fund and the ICO of any constraints that may hamper or alter the normal implementation of the project, and to make available to the Fund, the ICO and/or the auditors any information on developments relating to the implementation of the project and the day-to-day management of funds.

16. Reports should be analytical, providing quantifiable indexes whenever possible. In particular, the first report should provide detailed information on the situation “before the project” in order to permit a comparison to be made with the situation “after the project” when the ICO, in collaboration with the Fund, carries out the completion review of the project and when independent consultants undertake an impact evaluation exercise two years after completion of the project.

17. The ICO, in its capacity as SB, will normally send monitoring reports to the Fund throughout the life of the project, providing its own observations on its progress and the suitability of the agreed activities and costs specified in the Project Agreement. This will enable the ICO to ensure that the day-to-day management activities carried out by the PEA are relevant and that project objectives are being achieved. The progress of the project will subsequently be subject to mid-term and completion reviews by the ICO in collaboration with the Fund in order to determine whether the results obtained are consistent with the specifications in the Project Agreement and to decide whether any adjustments or changes in implementation are required.

18. If the ICO considers that implementation is not satisfactory because any activity undertaken, any cost incurred or any of the results obtained by the PEA have not complied with the requirements specified in the Project Agreement, it will proceed to notify the Fund, while at the same time informing the PEA of any recommendations on possible actions to be taken in order to solve the problems concerned. As a last resort, if the ICO considers that the

project objectives cannot be achieved, or that they have ceased to be valid given the situation of the commodity concerned, it may recommend suspending the project, duly informing the Fund regardless of the stage of implementation.

Monitoring visits

19. Monitoring visits, which are normally annual visits conducted in the field, will be organized and carried out by the ICO in collaboration with the Fund. The nature of such visits may vary widely from a comprehensive assessment of the project and provision of guidance on steps to be taken in order to improve project implementation, to a more selective identification of problems. The budget and work plan for the following year should also be discussed during these visits, providing the ICO with the information required for endorsement to enable the Fund to initiate disbursements.

20. In order to maximize benefits to collaborating institutions and Governments involved in the implementation of the project, the Organization urges that the opportunity provided by professional interaction in the field during implementation of the project be used to exchange know-how, advice and recommendations on local problems affecting the sector. The institutions involved should also use the opportunity to collaborate with the ICO by giving their views on the real conditions and problems of the sector at local level.

Mid-term and impact evaluations

21. Mid-term and impact evaluations are carried out by independent consultants employed by the Fund in order to obtain a second professional opinion on the management undertaken by the PEA and the supervision of the ICO and the Fund. Impact evaluation is undertaken a year or more after the completion of a project and is aimed at assessing the impact of the project and its sustainability over time, indicating whether the observed effects can be attributed to the project or to external factors.

Dissemination of project results

22. The dissemination of project results not only ensures the transfer of know-how generated through the project and offers benefits from the lessons learned but is also an activity that complements the efforts of the ICO and the Fund to avoid project duplication. The results to be disseminated should be reviewed in order to determine:

- i) whether they indicate that the problem has been solved and that the results should be disseminated accordingly;
- ii) whether problems relate to a project already being implemented and could therefore imply an extension of the project concerned; or

- iii) whether a new problem has been identified which should be reconsidered as a new project and, if necessary, as a new field of action within the framework of a coffee development strategy.

CONCLUSION AND COST IMPLICATIONS

23. On the basis of the experience gained in its capacity as a Supervisory Body, the ICO considers that the technical and legal procedures established by the Fund as prerequisites for initiating project implementation could be strengthened by taking the following measures:

- a) selection of a suitable PEA by the ICO (see Section 9.2.1 of the CFC Manual);
- b) inclusion of an obligation for Government – Project continuity in the Project Agreement submitted by beneficiary countries; and
- c) on approval of the project, the Fund should give immediate effect to disbursement of the first transfer of funds to enable the PEA to fulfil the conditions required for disbursement in each beneficiary country and obtain confirmation of co-financing from other institutions in cases where this is envisaged (see paragraph 8 above).

24. In order to optimise the monitoring activities carried out by the ICO in collaboration with the Fund in relation to disbursements, the PEA should give the ICO timely notification of any disbursement requests made and any disbursements received.

25. Since the Fund expects greater participation by ICBs in the supervision and evaluation of projects and the dissemination of results, it is considered that provision should be made for a larger allocation of funds when new project proposals are designed.

26. Finally, experience indicates that proper monitoring provides the basis for the dissemination of results and lessons learned, confirming that through pilot projects, the knowledge gained in one country benefits other Members, albeit indirectly. We have seen that a judicious coffee development strategy can lead to the implementation of projects that reflect the priorities of the sector.

Additional comments

27. On the basis of the experience gained, the ICO considers that its participation is essential for more effective monitoring visits and that a larger allocation of budgetary expenditure is required (under the item Supervision, Monitoring and Evaluation) to carry out a comprehensive assessment in the field of the situation of the project and prepare a report on the value of the project implementation, including the relevance of its objectives and any corrective measures required.

28. At present, the modest budgetary provision for the ICO to carry out monitoring visits limits its effectiveness and its supervisory role. A larger allocation of funds is required to provide for the longer visits needed to carry out the comprehensive assessment envisaged, as well as for subsequent analysis and preparation of a report on the monitoring mission.