



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

ICC 101-2

19 September 2008
Original: English

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Report

International Coffee Council
101st Session
22 – 26 September 2008
London, England

**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 Common Fund for Commodities (CFC) coffee projects, assists with monitoring the implementation of projects, including reviewing the attainment of objectives, identifying constraints and checking expenditure. This document summarizes individual progress reports submitted by each PEA for the following projects which are currently being implemented (see Section IV of document EB-3942/08 Rev. 4) and includes at the end a list of acronyms used in this document. Copies of the full reports are available on request from the Secretariat.

- Annex I:** Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua – CFC/ICO/11 (PEA: PROMECAFE)
- Annex II:** Pilot rehabilitation of neglected coffee plantations into small family production units in Angola – CFC/ICO/15 (PEA: INCA and CTA)
- Annex III:** Pilot short- and medium-term finance to small-scale coffee farmers in Kenya – CFC/ICO/20 (PEA: UNOPS)
- Annex IV:** Diversification of production in marginal areas in the State of Veracruz, Mexico – CFC/ICO/32 (PEA: Fundación de la Universidad Veracruzana A.C.)
- Annex V:** Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador – CFC/ICO/31 (PEA: COFENAC)
- Annex VI:** Enhancing the potential of gourmet coffee production in Central American countries – CFC/ICO/39 (PEA: IAO/MAE)
- Annex VII:** Developing the potential of Gourmet Robusta coffee in Gabon and Togo – CFC/ICO/42 (PEA: CABI)
- Annex VIII:** Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries – CFC/ICO/40 (PEA: CABI)
- Annex IX:** Access to finance for the development of diversification crops in coffee producing areas – CFC/ICO/30 (PEA: FGCCC/OCIBU)

Action

The Council is requested to note this document.

**PILOT REHABILITATION OF THE COFFEE SECTORS
IN HONDURAS AND NICARAGUA
(CFC/ICO/11)**

1. Period covered by the report: 1 January – 30 June 2008

2. Status of project implementation

In Nicaragua this period saw the consolidation of the operational basis needed at both national and provincial levels for credit management, through the Credit Committee, and for technical and operational administration of project execution, through the recently established Coordination and Support Committee.

With regard to activities related to the credit programme for the rehabilitation of CPFs, 123 credit applications were approved for the construction of new wet-processing units at a total cost of US\$537,600. This sum, 84% of the first CFC loan disbursement (US\$640,000), was distributed through five of the twelve intermediary FIs selected by the Credit Committee.

Out of the 123 credits approved, 79 new CPFs have begun their construction and should be completed by the end of the year. In view of this, supervision activities on the ground have been intensified with joint visits carried out by the PEA and relevant national agencies.

The main activity ‘rehabilitation of CPFs’ **in Honduras** also advanced quite rapidly during this reporting period. Some 90 loans were approved for restoration of CPFs and 21 for new construction.

3. Social and environmental effects of the project implementation

As under Nicaragua’s environmental legislation a permit is required for building each processing unit, some difficulties and delays in obtaining the permits to commence construction were faced initially. However, following the four workshops on environmental management which involved the project’s beneficiaries and relevant local institutions, the ratio of applications for the permits granted was considerably. Another two workshops were held to discuss the pro and cons of construction sites.

In Honduras the PEA staff has visited several coffee growers who have expressed their satisfaction at being the owners of new or restored CPFs which will be useful for coffee quality improvement and hence their family income. The demand for the project credit is greater than the possibilities of the project loan funds.

The PEA and IHCAFE are introducing design specifications for environmental protection in construction of CPFs. The effects of such measures will be evaluated during the operation of these facilities at the next coffee harvesting season.

4. Forward planning and project implementation

Following the joint CFC/ICO supervisory visit to **Nicaragua** in May 2008, the Project Work Plan and Budget for the year 2008 have been adjusted to ensure the adoption of a realistic implementation schedule during the second semester of this year. For each activity a detailed schedule was defined with specific starting and completion dates and technicians/institutions in charge of implementation.

In both countries the budget for the main component main ‘rehabilitation of coffee processing facilities (CPF’s)’ needs to be revised in the light of the current increases in costs for civil works and processing equipment.

5. Lessons learned

The beginning of the construction of new eco-friendly wet-processing facilities **in Nicaragua** has already started to yield a multiplier effect. The Government has decided that further resources will be allocated to assist more coffee farmers to replace wrecked wet-processing facilities with more efficient water and energy-use models. Farmers involved in the project greatly value natural resource conservation as they become aware of the benefits derived from adopting eco-friendly technology in terms of trade certification of the product, health and landscape.

In the case of **Honduras** the implementation of this project has revealed the most important aspects to be a great need for credit and technical assistance to small coffee growers for the improvement of the coffee harvest processing up to the drying stage of coffee (in parchment). It is expected that as a Pilot Project it will open up other sources of credit from private and government banks, and serve as a model for such services.

With some limitations, IHCAFE as a private agency has maintained its extension services to coffee growers. The role of the technical staff has been very important for the project implementation and at the same time those involved have gained experience in the fields of credit supervision and coffee processing.

6. Conclusion

The approval of credit for the construction of 123 new wet-processing plants in **Nicaragua** during this reporting period is a significant achievement in the implementation of the project.

In Honduras the project implementation in the field has advanced with 90 units restored and 21 new units built. This activity was fully financed by the first CFC loan disbursement of US\$640,000.

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

1. Period covered by this report: January – June 2008

2. Status of project implementation

Under the Component I ‘Production (Rehabilitation) of Coffee’ several farmers have opted to set up their own individual nurseries within their farms instead of relying exclusively on communal nurseries. Thus the number of field nurseries increased from 33 communal ones to 117 communal or individual ones, besides the 2 large ones at the INCA station in Gabela. These nurseries will produce 5.7 million plants which will be ready for transplanting during the next rains in October/November.

More than 300kg of seeds were produced during the harvest season. More than 1 million plants were transplanted and used to rehabilitate an area of over 482 ha.

Under the Component II ‘Commercialization of Coffee’ no progress was made in the collection of market information due to unavailability of relevant PEA INCA staff. Including this as an integral part of the PEA’s normal activities can build up information for use in the PEA’s policy-making, setting coffee indicator prices.

In the previous reporting period, the project offered to suitable farmers/traders a loan of US\$ 200,000 for the setting up of a coffee processing unit (pulper, mucilage remover, huller, etc.). Since no one applied, INCA decided that the loan should be broken into smaller ones for the procurement of several hullers. INCA proceeded to pay CAFANGOL, a state coffee exporting corporation, to import 15 of these hullers. Noting that the proper CFC procurement procedures were not followed, and that an effective credit system had not been defined with an intermediary, INCA was advised to either consider the hullers as a Government contribution, or convene a meeting with an intermediary, e.g. BPC, with a view to meeting the credit conditions as spelt out in the Loan Agreement, thereby qualifying the procurement as part of the loan. The meeting has not been convened nor the hullers delivered. This impasse has made it impossible for the project to apply for the second tranche of the loan (US\$600,000 as spelt out in the Loan Agreement), despite having spent almost all of the first tranche (US\$1,760,000).

Under Component ‘Settlement Schemes for Displaced Farmer Families’ the micro credit given to 2,227 farmers, favourable coffee prices on the world market and the activities of the extensionists in the field all contributed to the increase in interest in the project. The number of collaborating farmers exceeded the targeted 4,000 by 1,600, all already settled in the project area.

With the assistance of Cooperative League of the USA (CLUSA), the constitutions of 79 Associations and 11 Cooperatives for farmers collaborating in the project were developed. This was a participatory process involving 4,085 members of whom 920 were women. To ensure that all members understood the role and functions of farmer organizations, 79 training sessions (240 hours) were organized for 3,820 members, of whom 764 were women. The 11 Cooperatives were assisted to submit their applications for registration at the local Provincial Registrar of Societies, so that they are identified as legal entities. The total value of the farmers savings account reached US\$2,597, which represents an increase of 11.6% compared to the value reported in the previous reporting period.

INCA organized meetings with the IGCA of the Ministry of Defence. IGCA will draw up maps of the entire Municipality, then of the land owned by the various farmer associations in the project and finally of the individual farmers. Once this is formalized, then the process of issuing of title deeds will follow. This is focused to take at least 6 months. To facilitate the process, IGCA will first conduct a training course for INCA technicians who, together with the local counterparts (farmers, local administration staff, etc.), will actually undertake the field work – under IGCA supervision.

Rehabilitation of the 4 schools was completed, and only awaits the delivery of desks and blackboards. After further discussions with the farmers and local administration, it was agreed that resources be pooled into the rehabilitation of only one health post. The roads in the project area, including in Gabela town, are quickly being repaired by the Government.

Production of other food crops continues, with the field extensionists giving technical advice to the farmers. To supplement this, the project acquired 472 goats, of which 269 have been delivered. A system for the distribution of these animals to farmers as well as the further distribution of the progeny of these animals was developed and agreed with the recipient farmers.

Under Component ‘Support Services’ the demonstration plots served as important point for training farmers. However, the use of fertilizer was found to have some misconceptions – that fertilizers kill plants! We hope these wrong beliefs will be corrected by the time the project ends.

Final Technical Reports of both the Coffee Quality and Market Information System consultants were finalized, bound and distributed to INCA staff for comments and implementation of recommendations therein.

The implementation of the Component ‘Institutional Support’ the implementation was particularly poor. The INCA staff trained on market information system and management information system was not available for the project. Recognition of the importance of this component by the PEA management would quickly operationalize said systems, whose frameworks have already been established.

Three INCA technicians and one scientist were trained by CLUSA on the cooperative movement – principals, legal statutes, composition and functioning of social organisations and the importance of registering the same, etc.

Several members of the Technical Brigade at Gabela received training on-the-job. Plans had been finalized for a 10-day training session of four INCA scientists at National Agricultural Research Organisation, Uganda. However, this did not go as planned as the PEA management belatedly expressed a preference for training of its staff in a Portuguese speaking country.

Under Component VI ‘International Technical Assistance’ based in Gabela, the CTA (Dr George Oduor) and the Project Management Unit continued to coordinate and provide technical backstopping to INCA. Mr Luswata Kanakulya Al-Raschid was identified to undertake the Coffee Quality consultancy from 18th July. This will also include training of INCA staff. Results will be reported in the next reporting period.

Under Component ‘Project Management’ Mr Pascoal Miranda was appointed the new Coordinator of this project in May, and replaced the former coordinator Dr João Ferreira da Costa Neto (DG, INCA).

Deloitte & Touche undertook an auditing of the project accounts (Jan-December 2007). Report to be sent soon. The External M&E mission to be undertaken by ICO, CFC was suspended to the following reporting period (October).

A PSC meeting chaired by Mr Joaquim Duarte Gomez (Director Planning and Statistics, GEPE) at the MINADER and attended by various stakeholders was held on 10th April 2008. Progress in the project was reviewed and the 2008/09 project workplan and budget approved. Recommendations of the meeting included the need for presentation of more comprehensive reports; INCA to submit to FDCA details of the Government financial commitments to the project (cash and in Kind); and for legal reasons, an appointment of a new National Coordinator who would better articulate with the PMU.

3. Social and environmental effects of project implementation

Increased returns from the sale of higher quality coffee are expected to improve the income of the coffee farmers. Resettling of previously dislocated persons should give them hope and make them more productive and socially more content. No adverse effects to the environment are envisaged, especially with the reluctance of the farmers to wet-process their coffee.

4. Forward planning of project implementation

Component 1: With the delivery of more planting bags, raise more seedlings. Transplanting of seedlings into the fields will be intensified.

Component 2: Identify a way by which coffee hullers can be availed to beneficiaries and used to improve the quality of coffee produced in the project area.

Component 3: Form new Farmers Associations and strengthen existing ones.

Component 4: Monitor and report on on-farm trials and demo plots.

Component 5: Improve and utilize the Market and Management Information Systems at INCA.

Component 6: Provide technical and administrative backstopping to project by the PMU

Component 7: Continue overall coordination of the project including, holding PSC meeting.

5. Conclusions and Recommendations:

More active participation by the PEA staff will improve their skills, make coordination easier and enhance the sustainability of current activities beyond the lifespan of the project. Given the pace of implementation of the project, and the accompanying constraints, there is a need for the extension of this project by at least one year.

**PILOT SHORT- AND MEDIUM-TERM FINANCE TO
SMALL-SCALE COFFEE FARMERS IN KENYA**

CFC/ICO/20

Status of project implementation

I. Introduction

Lending under the Pilot Short- and Medium-Term Financing to Small-Scale Farmers in Kenya began in October-November 2007. This and other implementation activities are still in progress. Project activities are ongoing at Kiunyu Factory of Karithathi Farmers' Co-operative Society for 590 co-operative farmers. There are 12 small estate farmers participating. Farmers have been supplied with loans which they are utilizing for planned activities as per the coffee calendar of operations. Inputs are sourced jointly by KDFSS & PIU. Labour financing is deposited directly into each farmer's account at the Sacco-bank. Year I activities are complete, with the project currently undertaking year II activities. Training of farmers' representatives (team leaders & experts) is conducted by PIU. PIU also provides extension services to ensure that aspects of supervision and proper coffee husbandry are affected.

II. Actual Achievements

(a) Group formation

- Project successfully formed 43 JLGs (co-operative society) and 3 CIGs (estates)
- Group membership 5-20
- All groups have four 'experts' (nutrition, pests and disease control, pruning, picking and delivery) and a group leader
- Through leaders/ 'experts' all groups have received training on recommended husbandry practices and have worked as a team to ensure participation of all members

(b) Design of IT software and training

- All loan application procedures had been met using application reports generated with PAFED software. In addition, the system processed a coffee payout for year 2007/08 and even issued payslips to farmers. Linkages for data sharing with the MFI and KPCU have also been developed.

(c) Actual lending

- Following the start of lending, final disbursements for year I were done in August 2008, and a total of Ksh. 9,906,427 has been disbursed for both inputs and labour financing;

- Disbursements for inputs and labour have been made for every activity in accordance with the coffee calendar;
- Farmers collect actual inputs in groups from factory store and individually withdraw labour cash from their accounts

(d) Training and sensitization

Training on the product and its delivery has been conducted for Sacco staff, Society staff and estate farmers. These participants in the project were trained in various sessions on their expected participation and on the project lending terms and conditions to ensure their readiness to effectively participate in the project. The training covered an update on the project, and lending terms and conditions. Estimates of coffee inputs were also worked out. Estate farmers were organized into Common Interest Groups whose role in extension support is to be similar to that of the JLGs.

(e) Loan applications

The first lot of loan applications for both Co-operative and Estate farmers took place in November 2007. Loan processing was done by the Sacco-bank at the branch closest to the factories, namely the Kiamutugu and Kianyaga branches of the Sacco.

** Credit plus implementation*

The product features were finalized and implementation started in all the targeted areas including the Sacco, and factory for co-operative farmers. Co-operative farmers make their applications at the factory office while estate farmers make their applications at the Sacco-bank.

** Disbursement of Funds through MFI*

The Project is currently utilizing funds from the CoDF, which are channelled to the farmers participating in the project through KDFSS, the identified MFI.

** Percentage Loan Allocation*

Credit Plus product was designed to provide 90% of the estimated production requirements as the bank loan. This has since been revised to 100%.

III. Challenges and some solutions

Delays in fertilizer supply

This was partly due to delays in obtaining the loan funds for the project and uncertain weather conditions. There was also a shortage of fertiliser in the market around Oct-Nov 2007 and consequently a sharp increase in price. It has been recommended that the PIU would ensure full use of software in year II procurements. Unforeseen supply challenges posed by post-election crisis also meant that some inputs could not be delivered on time

Poor fertilizer collection

It was difficult to distribute all the purchased fertilizer in the Kiunyu factory as soon as it was supplied. By the time the fertilizer was supplied, there was uncertainty as to whether it would rain, NPK requires incorporation to the soil and is absorbed into the soil when it rains. A few farmers despite signing up for fertilizer supply feared that it would not rain and therefore did not collect it. After further follow-ups with team leaders, the fertilizer was collected.

Delays in releasing fertilizer labour cash – Co-operatives

A few computational problems arose in calculation of the amount of money to be allocated to each individual farmer for inputs and labour requirements. This was occasioned by delays in procuring fertilizer which resulted in the society proceeding to procure fertilizer for their farmers. It was therefore necessary to accommodate self-financing in order to establish how much each farmer required. Some changes were then made to the software in order to deduct the amount for the already applied fertilizer. This took some time. Consequently, the cash for fertilizer labour was not availed to the farmer at the expected time. The computation was re-done and the money released to farmers.

Supply of substandard Inputs

This risk was avoided through joint sourcing for all farmers with the collaboration of KPCU and the Sacco, where KPCU identifies the most suitable supplier based on quality and price then the Sacco orders from the identified supplier and pays upon delivery to designated place and issuance of invoice.

Loss during transportation

Input suppliers are responsible for delivering inputs to the factory or a designated place (in the case of estate farmers). Upon receipt of goods, there exists a risk of loss at the factory/designated storage pending distribution to farmers.

Risk of loss at factory

In order to avert the risk of losing inputs during storage, an Inputs Receipt and distribution list has been developed to monitor inputs receipt and distribution on a weekly basis.

Failure to apply or diversion of inputs viz. Farming Best Practices

This will be checked by group members and relevant experts responsible for application of such inputs. This is discouraged because in the event a farmer does not apply the input or diverts it, his coffee may not attain the expected production/quality level and therefore he may not supply enough coffee to pay for his loan which will leave his group members liable. Individual groups have come up with their own rules to curb such behaviour.

IV. Expenditures

In 2007 US\$255,504.99 out of a budget of US\$500,18.02 was spent, leaving a balance of US\$244,624. The apparent under-expenditure was mainly due to expenses that had been budgeted for the PIA and the IT consultant, which were not released to the contractors due to incomplete deliverables. The expected expenditure on some capital equipment (motor cycles) also did not occur. The balance was therefore rescheduled to 2008, bringing the budget for 2008 to US\$485,886. To date, about US\$310,491.60 (US\$335,330.93 with administration fees) of the 2008 budget has been spent. The remaining total funds for the rest of 2008 are therefore about US\$150,555.36 (less administration fees at 8% this is about US\$139,403.10).

V. Conclusion

The long-awaited lending to farmers finally took off in the fourth quarter of 2007. This was made possible when the Ministry of Agriculture provided the required funds through the newly established Coffee Development Fund. The money is currently being channelled through KDFSS. Other planned activities, including IT development, monitoring of loan funds, continued extension and supervision that had been delayed along with the loan component, also took off in October 2007 and implementation has been ongoing in one factory of the pilot district. Variations in both the original product concept and project implementation that have occurred have been captured in this and previous reports. Some fine-tuning of the IT software solution, PAFED, continues to be carried out to suit the user.

**DIVERSIFICATION OF PRODUCTION IN MARGINAL AREAS
IN THE STATE OF VERACRUZ, MEXICO
(CFC/ICO/32)**

Period covered by the report: January – June 2008

1. Assessment of technical progress.

The integrating company, named *Diversificadora y Comercializadora del Trópico*, started formal operations in December 2007, and has processed 4 tons of *Psidium guajava* leaves to date. Some 32 small rural organizations have formalized their constitutions and initiated the process to fully participate in the integrating companies.

The *Cinnamomum zeylanicum*, *Pimenta dioica* and *Heliconaceas* planted during this period registered a survival rate greater than 90%, due to the good conditions of the plants produced in the project's nurseries. Since it is necessary to guarantee the production of vegetative material to implement the agro-forestry production systems in a greater number of plots, an agreement for procurement was signed with seed suppliers of timber and fruit tree species.

The project continues to promote increases in added value for currently harvested crops, e.g., the establishment of a processing plant for the production of paper from banana tree shoots, and a centre for the collection, selection and drying of *Psidium guajava* leaves in Atzalan.

Some 10,000 *Jatropha* plants will be sown in order to start the production of seeds to launch that crop on a bigger scale.

2. Social and environmental effects of the project implementation:

One of the main effects of the project implementation is the interest that the target regions have attracted. The Government of the State of Veracruz, the University of Veracruz and some private enterprises have decided to invest in improving the social infrastructure and in developing rural enterprises. The international funds invested in the regions to date have thus had a multiplier effect.

The development of organizational skills of participating coffee farmers is a long-term process. During this semester the implementation of participatory workshops has continued and it is hoped that some participants will be able to gain enough skills to continue with the operation of the rural organizations once the project has been completed.

3. Future planning of the project implementation:

The lessons learned from the project implementation, so far, and the availability of the loan resources, will allow the production of vegetative material, the establishment of agro-forestry systems, and the development of value-added marketing networks for the products obtained on a scale that will probably exceed the established objectives of the project.

Future Vision (Integrating Company ‘*Diversificadora y Comercializadora del Trópico*’)

The Integrating Company, which is an entity with legal status that comprises 35 intermediate companies with 833 agricultural producers, is prepared to reach 1,500 participating producers in at least 90 intermediate companies. It currently operates in three regional centres in the State of Veracruz: one in Zozocolco de Hidalgo, and two (Almanza and Plan de Arroyos) in Atzalan and is expected to manage the industrial plants, nurseries and plantations and market products in a consolidated way.

Infrastructure developments which are currently being implemented include:

- Two guava leaf drying machines (operational).
- Two processing plants for all spice and other species
- One vanilla curing plant (at the stage of design and training of the operating personnel).
- A plant for processing paper from banana tree shoots (whose construction will begin in the near future).
- Two regional nurseries for agricultural and forest plant production and up to 40 small community nurseries).
- 150 hectares of *Jathropha curcas* plantation, as a supplier of vegetative material for a larger project to be developed in the near future.

VI. Conclusions and recommendations.

The experience acquired and the loan will allow the PEA to increase the standard of living in those communities.

Many of the newcomer farmers to be involved in the project will be from neighboring municipalities, as the implementation of the Zozocolco and Atzalan generated interest from the municipal and state authorities to extend the project into adjacent regions.

For these reasons **it will be necessary to extend the project for a further 18 months.**

**RECONVERSION OF SMALL COFFEE FARMS INTO
SELF-SUSTAINABLE AGRICULTURAL FAMILY UNITS IN ECUADOR
(CFC/ICO/31)**

Period covered by the Report: October 2007 – June 2008

1. Status of project implementation

Component I: Organizational strengthening

The beneficiaries currently participating in the project comprise 1,244 small coffee farmer families in the provinces of Manabí (400), El Oro (405) and Loja (439). These families are all part of the 30 organizations involved in the project.

A socio-economic assessment was carried out on each of the 1,244 coffee families involved in the project to outline the basis for the reconversion of each family unit and to gather key information for the decision-making and forward planning of agreed activities.

During this period, two training workshops were organized to strengthen the capacities of the project team in farm management concepts and techniques for growing coffee and other crops promoted by the project. The training also focused on how to standardize the methodological aspects of the reconversion process.

The Rural Leadership School, created with the academic endorsement and technical assistance of the Manabí Technical University (UTM), has commenced its activities and has provided training to 77 leaders of the producer organizations involved in the project, thereby initiating the training of promoters of sustainable coffee growing in the region.

The internal control system adopted by producer organizations is being consolidated as a mechanism for internal control, and, in the case of the PEA, as a tool for monitoring the progress of the project. Another significant development is the preparation of internal standards for ecological coffee production, which will be adopted as an integral part of farm management.

At the organizational level, revolving funds have been established and are being consolidated as a rural micro-finance strategy to capitalize and recover a proportion of the value of goods supplied to producer organizations on behalf of the project.

Component 2: Diversification of production systems

Under the reconversion plans prepared for each farm unit, producers have been adopting the proposed schemes, reiterating their commitment to the project and their determination to implement the proposed reconversion activities.

For coffee farmers in Manabi, El Oro and Loja, this involved the renovation of 622 hectares of coffee, growing 2,523,944 coffee seedlings in nurseries and planting 106,602 trees for timber and reforestation compatible with the various agro-forestry systems in each area. In addition, 1,425 hectares were planted with short-cycle crops such as maize, rice, peanuts and beans, and perennial crops such as bananas, tropical fruit and others.

In the province of Manabi, 440 family farms were established specifically for the purpose of ensuring food security. Husbandry has started and each family unit has received 25 chicks together with the balanced feed and vaccines required.

In addition, at least 30 producer organizations are promoting quality improvement of the coffee produced through the construction of coffee processing and drying centres, both at individual and association level depending on local circumstances. It should be noted that solar driers used for coffee are also being used for processing other crops produced on the farm, increasing capacity and efficiency in the use of available materials and equipment.

Component 4: Project dissemination

The PEA has received letters expressing interest in the project from Cuba, Guatemala and Honduras, indicating their wish to participate in the dissemination of the results obtained.

Lessons learned

The active participation of the producers' organizations has facilitated the transfer of technology to producers. This is particularly evident in areas with a long tradition of coffee growing and where there are strong links between family farms and coffee.

The set up of the model farms prior to the project's implementation has enabled the PEA, COFENAC, not only to gain experience in the reconversion systems promoted by the project but also to provide demonstrations to those farmers that prefer the 'see it to believe it' method.

Social and environmental effects of project implementation

The positive work performed by the 30 producer organizations involved in the project in the provinces of Manabí, El Oro and Loja has permitted the reactivation of a socio-organizational network in coffee producing areas, which had been lost among producers since the negative effects of El Niño and the coffee price crisis. These organizations have been a dynamic factor in the transfer of technology and training offered by the project.

The programmes for training promoters of sustainable coffee growing under the project have helped to develop skills among participating producers and are also paving the way for a new generation of technical leaders in the Ecuadorian coffee sector.

Reforestation of coffee farms has contributed to soil conservation and the preservation of native flora and fauna in the project areas involved. The reforestation activities promoted by the project have created expectations in the local community and gained the full support of local government in the provinces of El Oro and Manabí.

Forward planning of project implementation

Draft standards for ecological coffee production were prepared during this period and it is considered that the publication and dissemination of these standards among the coffee producers involved will encourage adoption of the environmentally-friendly technologies proposed in the project.

The next six months should see the consolidation of operation of the revolving funds already established at the level of producer organizations. Completion of the construction of solar driers and tub tanks for coffee fermentation should contribute to coffee-quality improvement in the provinces of Loja, Manabí and El Oro. These activities should permit uniformity of coffee quality in these three provinces through proper post-harvest processing. Joint marketing activities will continue to be promoted, as will the introduction of alternative livestock production to diversify agricultural production systems

**ENHANCING THE POTENTIAL OF GOURMET COFFEE PRODUCTION
IN CENTRAL AMERICAN COUNTRIES**

(CFC/ICO/39)

1. Period covered by this report: 1st January – 30th June 2008.

2. Status of project implementation

This project, financed by the CFC, is part of a wider Programme named '*cafèycaffè*', which includes a 'Regional Network Supporting Associations of Small Coffee Producers' financed by the Italian Cooperation Agency (US\$1,256,586).

Under Component 1 'To select potential gourmet coffee producing areas' three areas for producing high quality coffee in the countries involved have been selected as follows:

- (a) Guatemala (Huehuetenango area): ASASAPNE and ASODESI Cooperatives (San Pedro Necta), ADINUT (Todos Santos), ESQUIPULAS (La Libertad).
- (b) Nicaragua: 5 de Junio Cooperative, Municipality of Las Sabanas, Department of Madriz.
- (c) Honduras: Tecauxinas COCATECAL Cooperative, Municipality La Campa, Department of Lempira.

The representatives of the producer associations and cooperatives involved in the project have participated in two workshops held in Guatemala in December 2007 and April 2008.

The CFC resources initially allocated to ICAFE for implementation of the project in Costa Rica (US\$ 85,000), have been assigned in equal parts (US\$ 28,300) to each of the three other countries participating in the project, namely Guatemala, Honduras and Nicaragua. In order to use this additional amount, the relevant coffee institutions have prepared a work plan proposal to be included in the work plan and budget of 2008.

Under component 2 'To re-organize the coffee production chain with particular attention to cultivation and harvesting', the project has developed, in co-operation with coffee quality experts, a draft version of coffee cultivation and harvesting best practices to be adopted by the small producer associations/cooperatives involved in the project. The document will be an important means of ensuring the traceability, and high quality of the coffee which is produced. Producers will be obliged to maintain the integrity of their product, ensuring high quality and fine taste. Traditional techniques used in the region will be protected and encouraged.

The draft best practices document has been prepared on the basis of the results of the technical seminar held in Huehuetenango, Guatemala.

During this reporting period, the project will arrange two short missions for coffee quality experts to present and share the draft best practices document with the representatives of small producer associations and institutional technicians.

Under component 3 ‘To identify and transfer new techniques to improve coffee processing and quality control, creating three Units, one for each Country’, the ANACAFE has planned and designed a wet mill and has designated the Asociación de Desarrollo Integral Union Todosantera (ADINUT) as the beneficiary association. ADINUT is situated in a very isolated and difficult to access area, which makes the marketing of the coffee cherries very difficult for the producers. When the producers are able to mill their coffee, they will be in better position to market it, as they can store their coffee without losing quality. ANACAFE will arrange, in close collaboration with the PEA, a formal agreement with ADINUT to set out the internal rules for the utilization of the mill.

With regard to the setting-up of low-cost solar-powered dryers, the ANACAFE team made several visits to other areas of Guatemala to gather information on different types of solar driers, and chose the domo type of solar drier, which is most suitable for the climate conditions of the Huehuetenango region in Guatemala. During the present reporting period, some seven mushroom growing facilities have been established (one in each selected organization), mainly managed by women. Mushroom production has begun and the product is being sell to the local market.

In Honduras activities on the ground have not yet started, however the IHCAFE team has prepared in details the work plan, which will be implemented before the next harvesting season. The Honduras team has chosen a specific area in which to build the mill, the dryers, the composting units and the mushroom units. It has also identified the equipment required and processing methods.

In Nicaragua the MIFIC only signed the Project Implementation Agreement on 15 May 2008. In order to complete the disbursement requirements and to plan all the foreseen on field activities, a technical mission from IAO will be sent to Nicaragua in October 2008.

Under component 4 ‘To develop a system to produce and promote quality coffee’ the project website (www.cafeycaffè.org) was created and inaugurated during the first workshop held in Guatemala in December 2007. The website has been upgraded recently and is an important tool for exchanging and sharing good practices and producing information about programme activities, including updated, relevant and easy to read documents.

During the second “cafèycaffè” Workshop, a draft version of the website policy was presented to project representatives. A committee has been established to promote the website and will contribute to website development and management.

With the support of ANACAFE, a country atlas has been developed to promote the coffee regions of Guatemala, part of which is dedicated to the programme and to activities carried out in Huehuetenango.

During the present reporting period, a technical and administrative consultant has been designated to liaise between the PEA and the local institutions involved.

Under the component 5 'The IAO, as the project executing agency, will ensure the correct management of the financial and technical activities in accordance with the general and specific objectives', the "caféycafé" programme has set up a co-ordination office in the Italian Cooperation's Technical Local Unit building, where the technical and administrative consultant is based. During the present reporting period the project coordinator and the project accountant have undertaken specific missions.

3. Social and environmental effects of project implementation

The farmers are enthusiastic about the activities of the Programme, which is expected to generate considerable benefits.

4. Forward planning of project implementation

During the next reporting period, the initiated activities in Guatemala and Honduras will be completed, whilst it is expected that implementation fully starts in Nicaragua.

5. Conclusions and recommendations:

Experiences in Central America have demonstrated that improving the quality of coffee allows small producers to increase yields and improve their standard of living. The main national organizations are very interested in promoting trade in food and agricultural products and increasing quality. A possible risk is the application by participating farmers, who may have insufficient technical knowledge and may also be reluctant to use modern technologies, new agricultural techniques and new ways of considering the product from crop to the cup. The proposed technologies will be chosen with a view to their simplicity, versatility and adaptability to the agricultural and environmental situation. The new ways of approaching coffee will prompt farmers, producers and distributors to organize contacts and meetings, carving a niche in a world dominated by industrial agriculture.

DEVELOPING THE POTENTIAL OF GOURMET ROBUSTA COFFEE IN GABON AND TOGO

(CFC/ICO/42)

- 1. Period covered by the report: November 2007 – June 2008**
- 2. Status of project implementation for components implemented during the reporting period**

The Gourmet coffee project in Gabon and Togo is aimed at improving the quality of coffee produced through improved husbandry, harvesting and processing practices with a view to marketing top quality Robusta coffee to the gourmet markets. A number of activities were accomplished during the first six months of the project.

Baseline studies were initiated in Togo in May 2008 to gather information on the socio-economic characteristics of the farmers targeted by the project as well as their production, processing and marketing practices. The information will form the basis for monitoring changes in socio-economic status of the project beneficiaries as well as the impact of the project on improvement of production, processing and marketing practices. A total of 25% of the project farmers will be surveyed. In the case of Gabon, no smallholder farmers existed in the project areas. The first activity by the Caisses de Stabilisation et de Péréquation (Caistab) was therefore to recruit potential farmers to take up the former government farms once such farms have been rehabilitated.

Another aspect of the project scheduled for the first six months was to identify appropriate locations in which to pilot the project activities. This was successfully done in the two countries. In the case of Togo, four zones were identified, namely, Montagne Kloto-Dayes, Kpélé – Amou, Plateau d’Akposso and Akébou. Concerning the groups to be involved in the project, priority was given to farmers already organized into farmers’ groups/associations. A few individual farmers were also included to provide complementary data which could be used in comparing the two systems. Sensitization campaigns were then organised in six locations covering the four zones. A total of 262 farmers were reached during the campaign. Following the sensitisation meetings, a total of 500 farmers were identified and 12 demonstration sites selected.

Credit is an important constraint in the production of gourmet robusta by smallholder farmers in Gabon and Togo. The project however does not envisage direct support in this regard since the Implementing Agencies are expected to provide the service. Arrangement of credit to farmers was initiated in both Gabon and Togo. In the case of Gabon, Caistab undertook to provide all the inputs necessary to rehabilitate the coffee farmers on grant basis until the farms start to be economically viable. The institution will likewise provide any additional equipment necessary to ensure project success. This decision was reached at given the current

conditions of the coffee farms in the country and the need to inspire confidence among producers to get back to coffee production. In the case of Togo, the Comité de Coordination pour les Filières Café et Cacao (CCFCC) has made arrangement for financing of fertilizer and insecticides on a loan basis. Modalities for recovery of the loans are still under discussion.

Training of trainers is aimed at providing extension workers and other trainers with skills and knowledge on good agricultural and processing practices including pruning, weeding, mulching, use of fertilizers/pesticides, post-harvest handling, processing, traceability, storage and handling during transportation. The activity was initiated in Togo where staff of the CCFCC as well as the lead farmers were trained on appropriate coffee harvesting and drying. The activity also involved participatory development of training curricular and training calendar that takes account of the seasonal activities. Gabon initiated the activity by providing training to their key staff involved in rehabilitation prior to the launch of the project. Additional training on processing and other agronomic practices is scheduled for the third quarter of the year in line with the seasonal activities expected during the period.

Availability of seedlings of improved varieties is one of the key factors expected to determine the success of the revitalization exercise in both Gabon and Togo. Existing mother gardens in Kpalime, Togo, were cleared and seven improved clones identified for the purposes of producing suckers to be used in raising seedlings. A total of 11,400 cuttings already set in the propagators. In the case of Gabon, no improved varieties exist in the country. Consequently the rehabilitation programme is dependent on varieties developed in other countries, particularly Cote d'Ivoire and Cameroon. Substantial quantities of seed were imported from Cote d'Ivoire and germinated in the nurseries established in the key rehabilitation areas.

Demonstration plots form an important component of farmer training in perennial crops such as coffee. For the demonstration sites to be successful, it is expected that each training plot should not accommodate more than 30 farmers. Establishment of demonstration plots was therefore initiated in Togo in order to showcase good agronomic practices to the project farmers. Twelve demonstration plots each measuring 0.5 hectares were identified for this purpose.

3. Social and environmental effects of project implementation

The impact of the project on both the family households and the environment is yet to be fully realized. However, it is expected that the project will empower the farmers with skills and knowledge to produce coffee more sustainably (Activity 1.5) thereby having a positive impact on the environment.

4. Forward planning of project implementation

The main challenge for the coming months will be to procure and install appropriate processing facilities for use by farmers. Training on coffee processing and handling will also

have to be intensified to ensure good use of the equipment. Production of seedlings for field planting during the main rains in 2009 is another challenge. Establishment of liquoring laboratories and training of liquorers will also be crucial. With the first harvest of project coffee expected only early 2009, little activities on coffee marketing will be undertaken in the latter half of 2008. However, discussions with potential buyers of the gourmet coffee will have to be initiated within the remaining period of 2008 to ensure that little or no hitches are experienced once harvesting and processing is completed.

5. Lessons learned (if any)

None for the reporting period.

6. Conclusions and Recommendations:

Despite the slow start in both Gabon and Togo, the project is set to realize most of the activities planned for the first year. It will however be necessary to effect a number of budget adjustments to take care of items and activities which were either completely omitted in the budget or received an inadequate budget allocation. Examples include the omission of fertilizers as an important input for gourmet Robusta and the need to rehabilitate existing but dilapidated processing equipment in both Gabon and Togo.

**INCREASING THE RESILIENCE OF COFFEE PRODUCTION
TO LEAF RUST AND OTHER DISEASES
IN INDIA AND FOUR AFRICAN COUNTRIES
(CFC/ICO/40)**

Period covered by the report: January to June 2008.

Initiation of most of the planned project activities for the period started well, in spite of the late start of the project launch. The project was officially launched in April 2008. Project work plans and budgets were discussed during the launching workshop which was held in India. It was agreed that the work plans and budgets for each country be approved by steering committees, which were constituted later in each country. Steering committee meetings were held in all countries except India. However, in some countries the steering committees were held jointly with national project launching such as in Kenya, Uganda, and Rwanda. Zimbabwe held the steering committee separately from the project launch which will be held on 5th August. Purchase of project vehicles was also one of the activities being carried out during the period under review. Substantial progress has been made by all participating countries.

Most activities under each component which were supposed to be implemented were initiated, and some are continuing into 3rd and 4th quarters. Stakeholder analysis has been initiated in all countries, stakeholder mobilization almost started in all countries with the convening of steering committees. In all countries identification of locally available genetic materials for trials and introduction of new materials from India was completed. Seeds of the local and imported materials were sown in nurseries. They are progressing well and should be ready for inclusion into on-farm and on-station trials. However, one selection from India could not be traced through the quarantine system in Uganda. The lines will be re-imported from India in October this year. In addition, nursery sites have already been identified in preparation for developing mother gardens should the materials with putative resistance have their resistance confirmed under each participating country.

Conservation strategies have included revamping existing coffee collection gardens, and inclusion of new coffee collections will be carried out later in the year when imported selections will be transplanted. Protocols for determining constraints to sustainable conservation are being developed. Biological surveys are currently in progress in Rwanda, India and Kenya.

Project coordination included carrying out visits to collaborating countries and institutions to supervise and facilitate implementation of project activities. This included taking part in facilitating initiation of some of the project activities, advising on implementation procedures, development of activity implementation methodologies, and direct training such as in the case of the accountants in Rwanda and Kenya. As some of the project accountants

did not attend the inception conference, CABI Africa has organized sessions for these persons in order to make all accountants understand and appreciate CFC reporting requirements and to ensure that funds are utilized for project activities as prescribed in the financial procedures manual.

The budget utilization during the period accounted for US\$196,625.56, being total expenditure between March and June 2008. The project was launched in India, Chikmagalur and all the partners, including CFC and ICO participated in the conference. The start is a bit slow due to project set up formalities, but we expect activities to accelerate in the coming quarter as most participating institutions are now up to speed with the formalities. The PEA managed to disburse Authorized Allocation amounting to US\$350,000 to all the participating institutions.

Major activities planned for the coming period are raising seedlings of the resistant coffee materials from India and the participating countries, preparation, on farm and on station trials, farmer mobilization, continuation of stakeholder analysis in countries where this has not been done already, implementation of communication strategies, coffee leaf rust race determination, continuation of biological and socioeconomic surveys, and project coordination.

In conclusion, activities in all countries are continuing as planned, with slight delays experienced in the purchase of project vehicles which should be concluded at the end of this year. A planning workshop has been scheduled for 1st and 2nd December 2008 when implementation of project activities for 2008 and planning of activities and budgets for 2009 will be discussed.

**ACCESS TO FINANCE FOR THE DEVELOPMENT OF
DIVERSIFICATION CROPS IN COFFEE PRODUCING AREAS**

CFC/ICO/30

1. **Period covered by the report: January – August 2008**

2. **Status of project implementation**

Component 1: Assessment of the participating farmers and their needs

Main activities	Targets set	Current status	Remarks
Activity 1.1			
Carry out a farmer's survey by collaborating institutions	Select project sites, Sensitize coffee farmers on the project in selected sites, carry out socioeconomic study on the project selected zones	In Burundi, 12 washing stations and 4 project zones have been selected for the project. Field visits have been carried out and sensitization and determination of criteria for the selection of participating farmers have been completed; In Côte d'Ivoire, three main coffee producing regions have been selected. 11 villages have been selected as village-centres for the project. Each village centre or project site re-groups 5 to 7 surrounding villages. - Field visits have been carried out with the participation of the ICO representative to sensitize and inform administrative authorities and coffee farmers in the selected regions. Terms of reference for a socioeconomic study have been prepared and the consultant appointed.	Project sites selected and farmers have been fully informed Ongoing activity
Activities 1.2 et 1.3			
Identify local sources of information and any existing data bank that can form the basis of reliable information on farmers and meet with farmers in the defined geographical areas to test the information made available through the survey	Build up a database on coffee farmers	Questionnaires on farmer identification have been prepared; Field visits have been organized and further visits are planned with the socio-economist; Meetings with other institutions have taken place in Burundi and Côte d'Ivoire.	Ongoing

Activity 4			
Organize consultative meetings with all selected farmers and other stakeholders with a view of formulating and consolidating feedback from institutions involved in the project	Selection of participating farmers; Elaborate MOU with collaborating institutions	<p>In Burundi, 990 coffee farmers from 92 sites and surrounding 12 washing stations have been selected.</p> <p>- Terms of reference for MOU with collaborating institutions are being prepared;</p> <p>- In Côte d'Ivoire, meetings with collaborating institutions have taken place. Terms of reference for MOUs are being considered by these institutions. Discussions are also going on the technical assistance and financial implications of their collaboration in the project.</p>	<p>Ongoing activity</p> <p>Participating farmers are not yet selected</p>

Component 2: Development of a suitable and sustainable diversification loan structure for farmers

Main activities	Targets set	Current status	Remarks
Activity 2.1			
Study the past and existing agricultural credit structure	A full report on past experience and current status of agricultural credit in participating countries	<p>In Burundi, terms of reference for the study have been prepared and the competitive bidding process has been launched</p> <p>In Côte d'Ivoire, Terms of reference have been prepared and one consultant has been appointed through a competitive bidding process attended by 20 consultants</p>	Ongoing
Activity 2.2			
Elaborate an effective agricultural credit system for implementation under the project	A tested system of revolving credit that covers coffee farmers' activities for diversification	<p>In Burundi, terms of reference for the study have been prepared and the competitive bidding process has been launched</p> <p>In Côte d'Ivoire, terms of reference for the study have been prepared and the competitive bidding process has resulted in the selection of one consultant out of 12 offers.</p>	Ongoing activity

Component 7: Project coordination, supervision and monitoring

Main activities	Targets set	Current status	Remarks
Activity 7.1			
Selection of the Chief Technical Adviser and his deputy	Assist in the project implementation	A Chief Technical adviser was appointed in February 2008 and posted in Côte d'Ivoire and his deputy appointed and posted in Burundi	Recruitment process completed
Activity 7.2			
Provide technical support to an effective coordination of the project at national level	Provision of adequate local project staff Setting up of project steering committee	Project coordinators and the rest of project staff designated in the two countries Project steering committee was set up in March in Côte d'Ivoire and in April in Burundi	Completed

Activity 7.3			
Strengthen local capacity to coordinate project activities	Secure project offices and equipments	Offices and office equipments are available. Equipments include 3 PC printers, 2 copiers and 2 scanners. 2 vehicles have been bought for Côte d'Ivoire and Burundi. In Côte d'Ivoire, changes in the exchange rate of the US Dollar against the CFA currency have caused the purchase of the second vehicle to be deferred.	Completed
Activity 7.4			
Prepare an annual work plan and budget	Project annual activities and budget	The project activities and budget were prepared and submitted to the CFC in February 2008. In July 2008, taking into account some constraints in the implementation of the project, a revised budget for 2008 was sent to the ICO and the CFC for approval.	Completed
Activity 7.5			
Closely monitor project implementation	Prepare effective arrangements for project implementation in the two countries. Launch the project	Project implementation agreement was signed between the PEA and the OCIBU (Burundi) in February 2008. Project was launched in March 2008 in Burundi and in April 2008 in Côte d'Ivoire with the participation of the CFC and the ICO visit in project selected zones in March in Burundi and in April 2008 in Côte d'Ivoire with the participation of the ICO	Completed
Activity 7.6			
Assure annual supervision of the ICO	Assess project activities and make recommendations	While on home leave in Côte d'Ivoire, the Chief Economist of the ICO organized a number of technical meetings with the project staff and carried out a field visit to identify participating farmers. The official supervision of the ICO will take place early 2009.	Ongoing
Activity 7.7			
Monitor implementation and financial disbursements by the CFC	Provide adequate resources and assess its utilization	The first authorized allocation by the CFC took place in March 2008 in Burundi (US\$100,000) and Côte d'Ivoire (US\$200,000)	
Activity 7.8			
Prepare and submit to the CFC and the ICO regular progress reports of the project	Provide progress reports on technical and resources utilization	First full report being prepared	

LIST OF ACRONYMS USED IN THIS DOCUMENT

ADINUT	Asociación de Desarrollo Integral Union Todosantera (Guatemala)
ANACAFÉ	National Coffee Association (Guatemala)
BPC	Banco de Poupança e Crédito (Angola)
CCFCC	Comité de Coordination pour les Filières Café et Cacao (Togo)
CFC	Common Fund for Commodity
COFENAC	National Coffee Council (Ecuador)
CPFs	Coffee processing facilities
CTA	Chief Technical Advisor
FIs	Financial Institutions
ICAFFE	Coffee Institute of Costa Rica
IGCA	Angolan Institute of Survey and Cartography
IHCAFE	Honduras Coffee Institute
INCA	Instituto Nacional do Café de Angola
JLGs	Co-operative society (Kenya)
MOU	Memorandum of Understanding
MIFIC	Ministry of Development and Trade (Nicaragua)
PEA	Project Executing Agency
PIA	Project Implementation Agreement
PROMECAFE	Regional Program for the Development and Modernization of the Coffee Industry in Central America, the Dominican Republic and Jamaica
UTM	Universidad Técnica de Malabí