



Projects Committee  
8<sup>th</sup> Meeting  
22 September 2014  
London, United Kingdom

**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 summarizes individual progress reports submitted by each PEA for each project being implemented (see Section II of document [PJ-78/14](#)) and includes a list of acronyms used in this document. Copies of the full six months reports are available on request from the Secretariat.

- Annex I:** 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
- Annex II:** Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda – CFC/ICO/48 (PEA: CABI-ARC)
- Annex III:** Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA Countries – CFC/ICO/45 (PEA: AFCA [Formerly: EAFCA])

**Action**

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

## LIST OF ACRONYMS USED IN THIS DOCUMENT

AFCA	African Fine Coffees Association
BPR	Banque Populaire de Rwanda (Popular Bank of Rwanda)
BRD	Development Bank of Rwanda
CBO	Cooperative Bank of Oromia
CFC	Common Fund for Commodities
CIB	Coffee Industry Board of Jamaica
EAFCA	Eastern African Fine Coffees Association
ETB	Ethiopian Birr
ECX	Ethiopian Commodity Exchange
EU	European Union
FAST	Finance Alliance for Sustainable Trade
FFS	Farmer Field Schools
GAP	Good agricultural practices
ICO	International Coffee Organization
INERA	National Institute for Agronomic Research
MoA	Ministry of Agriculture
MOU	Memorandum of Understanding
MWS	Micro washing station
NAEB	National Agricultural Export Development Board
OCCU	Oromia Coffee Cooperative Union
ONC	Office National du Café
PEA	Project Executing Agency
SCAA	Specialty Coffee Association of America
SCAE	Speciality Coffee Association of Europe
SMEs	Small and medium enterprises
SYDIP	Syndicat de Défense des Intérêts Paysans
TIN	Tax Identification Number
VECO	Vredeseilandin County Office

**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: January to June 2014**

**Status of project implementation**

It is too early to report about indicators related to results six months after the start of the programme. Meanwhile, the current status of outputs is very encouraging and promising.

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

VECO-DRC has defined the curriculum of FFS in consultation with both ONC and farmer organization's agronomists (North Kivu). It contains chapters related to setting up a coffee farm, integrated disease and pest management, organic fertilization, harvesting and post-harvesting methods, etc. This was followed by the training of trainers (26) who in turn will train village based FFS' facilitators.

In Idjwi, eight coffee nurseries have been installed using locally adapted varieties harvested from INERA and private farms. Expected nurseries' outputs are 890,000 seedlings (of the 3,000,000 foreseen for the whole programme) given the germination rate of 95%. The programme identified well known performing varieties in terms of rust resistance and productivity. It did innovate in training local coffee seeds collectors (150) with support of the expertise of INERA and the Catholic University of Graben (UCG) both in South and North Kivu. They sold to the programme 371 kg of quality seeds. Farmers are proud of the newly learned technique and keen to challenge seeds provided by INERA in terms of germination power and cleanliness. The coffee seeds price decreased by 50% (to 70% in South Kivu) compared to 10\$/kg paid before the project intervention.

Coffee growers are progressively contributing funds (equivalent to 19.160\$ as of now) and materials to build at least 6 MWS on Idjwi/South Kivu and 21 MWS in North Kivu. This indicates an increase of awareness of coffee growers to contribute even outside the coffee harvesting period compared to 2013 when they preferred to wait for the coffee harvest first.

**Component 2: Improving farm gate coffee prices through quality improvement**

SYDIP with support of VECO sold green coffee to SOPEX (19.2 tons) and SOPROCOPIV (6 tons) from a stock of 49 tons of farm-washed parchment. The gross margin was 23,000\$. The income of their sales allowed farmers to partly pay their counterpart contribution to their MWS.

The MWS equipment purchased with CORDAID funds on 2013 and delivered in 2014 served coffee growers grouped into MWS to go into all the steps of centralized coffee washing. They came to understand the necessity of strictly picking red cherries only. At least 1,008 coffee growers have been trained (installation and trial of coffee equipments).

Coffee growers in North-Kivu are currently building 21 MWS as they all want to finish before the start of the upcoming harvest. VECO has contracted Andy Carlton to check other coffee equipments and materials providers in order to fulfill purchase requirements of CFC and to speed up the procurement process, given the increasing number of MWS.

Through diversified marketing contacts (via AFCA, Andy Carlton, VECO headquarters, publications, networking, etc.) some buyers and intermediaries (SOPEX, TWIN, PHUSYS, etc.) show interest in buying coffee from the MWS built under VECO guidance. A first set of samples has been sent to several cupping labs and we are awaiting the laboratory analysis report.

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

On 15 March 2014, VECO organized the project inception workshop in Beni, in presence of the National Minister of Agriculture and Rural Development, HE Jean-Chrysostome Vahamwiti Mukesyayira, the provincial Minister of Agriculture and Rural Development of North-Kivu HE Carly Nzanzu Kasivita and a representative of the Minister of Agriculture of South-Kivu, HE Adolphine Muley Byayuwa. All ministers have shown a strong explicit commitment to improve the coffee business climate.

**Component 4:           Inclusive project management and coordination**

Field visits have been organized monthly by province based VECO staff to support partner cooperatives in planning, organizing and launching of activities and backstop their personnel in different project matters. The 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). He checks terms of reference and procurement against CFC procedures and coaches and inspires the project team and partners. The monitoring and evaluation system has been set up based on the project's logical frame. The inclusive data gathering tools are under completion: an integrated system which allows measuring, learning and communication. The regional VECO meeting lately inspired the conception of the tools. A summary of CFC financial procedures and tools has been shared by the financial department of VECO to all involved partners. The annual work plan and budget 2014 have been produced and sent to CFC.

## **1. Assessment of resource utilization**

Expenditure was slowed down by the complications to avail of fiscal immunity. VECO negotiated the signing of a framework agreement with the government, as an alternative to fiscal immunity, but was informed that all material imports will need a separate authorization. Importing agricultural equipment in the Democratic Republic of Congo remains a headache, even with the exoneration status from the ministry of agriculture. CFC has promised high level consultations to sort this out.

## **2. Assessment of project co-ordination and management (see above component 4)**

## **3. Social and environmental effects of project implementation**

Coffee growers are still facing poverty consequently to their powerless position in the value chain and poor treatment of coffee plus ignorance of market laws. Grouping farmers into MWS and cooperatives increases their solidarity and business engagement capacities as a strong economic entity. Coffee growers have amended and adopted cooperative by-laws and elected board and control committee members in their constituent assemblies.

Coffee growers are taught how to manage pulp and waste water in pits in the MWS. The programme has identified themes related to organic fertilization and pest management of coffee farms. VECO is preparing a partnership with the World Wildlife Fund (WWF) to integrate agroforestry in the project as a means of mitigating planet warming effect as well as creating a suitable microclimate for coffee.

## **4. Forward planning of project implementation**

The upcoming harvest period (from August onwards) is key for the launch of the first MWS, the export of the first top quality coffee and the selling and collecting of seeds from high yielding coffee trees. We are currently raising the necessary money (credit) to export at least 25 containers of green coffee treated in the MWS in the second half of 2014.

Over 50 nurseries were set up, able to produce 2,5 million of plantlets of coffee. Farmer field schools comprising 20-25 coffee growers each are being set up.

Given the huge farmers' response to the project approach based on ownership, we need to anticipate an important extension of our programme by collaborating with ELAN and others on advocacy, encouraging them to support plantlets production in order to regenerate coffee farms, increase the MWS counterpart fund and access cherry buying credit.

## **5. Lessons learned**

- The quality of coffee is a strong negotiation factor towards buyers. Local exporters feel unable to purchase quality coffee from the MWS as they lack the capital to do so.
- 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.

## **6. Conclusions and Recommendations**

- The project is on a good track.
- CFC/ICO support for acquiring fiscal immunity from Congolese Government will be highly appreciated.
- VECO must intensify the mobilization of credit for cooperatives in order to keep the momentum.

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

**Period covered by the report: January to June 2014**

**1. Status of project implementation for components  
implemented during the reporting period**

**Component I: Access to commercial loans by smallholder**

The main challenges limiting access to commercial loans by the coffee cooperatives in Rwanda have been exhaustively discussed in the past reports. The key factors include the inability of the cooperatives to raise adequate collateral and provide 30% own contribution. In June 2014, a supervisory mission consisting of the International Coffee Organization (ICO), Rabo Development, National Agricultural Export Development Board (NAEB) and CABI undertook a mission to Rwanda to explore the best way forward to increase the number of cooperatives accessing commercial loans through the scheme. The mission identified the Development Bank of Rwanda (BRD) as the second bank as its programme for coffee cooperatives, particularly those related to capacity building and follow-up, are very complementary to the project objective. The participation of the second bank in the scheme will enable a number of cooperatives break away from the vicious cycle of working Service Providers. In addition to providing loans, the BRD provides capacity-building training to the cooperatives which benefit from their loans.

Concerning access to loans for the 2014 coffee season in Rwanda, a total of 10 coffee cooperatives were facilitated to finalise their business plans for the purpose of securing working capital for the 2014 coffee season. Four of the cooperatives submitted the loan requests to BPR out of which the application of one cooperative was approved. Loan request from a second cooperative was also approved by BPR. The second cooperative had not directly benefited from the project in the past years but has since been incorporated in the project starting from 2014. In addition to the BPR, a number of cooperatives were encouraged to apply for loans from BRD.

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

A Training of Trainers (ToT) workshop was conducted in Ethiopia for coffee extension and cooperative agency staff working with farmers' and their cooperatives. In attendance were 31 coffee extension and cooperatives promotion agency staff drawn from six of the eight

zones participating in the project. The training sessions were designed in such a way that they facilitate active participation, interaction, and experience sharing among participants. In addition to imparting new information and knowledge, the training also served as a forum for discussing various issues, including successes, achievements and prominent lessons, major challenges and constraints facing cooperatives in accessing and using loans.

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

Capacity building training for farmers and cooperatives continued in both countries. In the case of Rwanda, a new approach involving Farmer Field Schools (FFS) was adopted as part of the strategy to encourage farmer-to-farmer learning. A concept note to guide the introduction of the approach among cooperatives supported by the credit guarantee project was elaborated. A total of 14 FFS were established out of the 20 previously planned.

### **Component IV: Enhanced access to production and market information**

Awareness creation and training on how to interpret information on international coffee prices and how to take advantage of international market trends was undertaken among the management committees of the cooperatives involved in the project. A proposal on the approach to disseminate coffee production and market information to cooperatives was elaborated by NAEB and coffee cooperatives started to receive information on the prices on the international market. The daily market information was compiled, collated and disseminated to the Chairmen of the project cooperatives and extension agents. Dissemination of the information was undertaken twice every month.

### **Component V: Project coordination, supervision and monitoring**

The annual planning workshop was held in Kenya for the first time since the project was initiated. This was a departure from the normal trend of holding the workshop within one of the implementing countries. The objective was to expose the implementing institutions to different models of cooperative governance. In this regard, a field visit to Ndumberi Coffee Farmers' Cooperative Society was organized for the participants of the workshop. The cooperative has a total membership of 2,601 smallholders and is certified by more than three Certification bodies (Rain forest, Fairtrade, 4C Association and UTZ), with the total certified area covering 530 hectares. One of the main reasons for choosing the cooperative was because the cooperative has never made losses in its history of existence which dates back to 1962. Important lessons were learned through the field visit including how to set up an efficient governing structure for coffee cooperatives, the need for effective participation of the producers in decision making through the Annual General Meetings, the need for real

ownership of the cooperative society by its members instead of the society being used merely as a point for marketing cherry, use of the cooperative as an avenue for wealth creation for its members, the use and management of cherry advance and bonus payments to farmers instead of the cash on delivery approach used in both Ethiopia and Rwanda, how to organize direct marketing of coffee produced by the cooperatives as better way for receiving remunerative prices for the producers and the need to separate governance functions from managerial functions as part of good governance for cooperatives.

### **Social and environmental effects of project implementation**

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

### **Forward planning of project implementation**

Follow-up of cooperatives which secured loans through the guarantee scheme in Ethiopia 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. Training and sensitization will also be undertaken in Ethiopia to ensure the cooperatives prepare their business plans in good time to secure loans for the 2014 coffee season.

Capacity-building activities will likewise be continued in Rwanda using the FFS approach. Formalization of engagement with BRD will be completed to provide the cooperatives with choices of banks with which to work with. Follow-up on cooperatives which access loans from both BPR and BRD for the 2014 coffee season will be undertaken, and will involve all parties including the banks, NAEB and CABI. In the past the banks provided loans and did not do any follow-up on the use of the coffee neither did they monitor progress in repayment of loans. Modalities for the use of proper warehouse, particularly the ones owned by NAEB, to store processed coffee will be formulated to enable the use of parchment coffee in store as collateral in the coming season.

The Implementing agencies will facilitate the development of business plans and the associated loan requests for the 2014 coffee season in Ethiopia and 2015 in Rwanda. The target will be to have the loan requests for Rwanda cooperatives submitted to the banks by the end of September and results (approval/non approval) given to the cooperatives by December 2014.

### **III Conclusions and recommendations**

Most of the project activities in Ethiopia will concern close follow-up of the 11 cooperatives which secured loans in 2013 and additional 11 cooperatives will be targeted for the 2014 coffee year. The new cooperatives will require intensive capacity-building as well as nurturing to enable they start acquiring loans directly from the banks. A key activity to be undertaken in Rwanda will concern finding solutions to the current low level of loan approvals. In this regard it is recommended that the outcome of the meeting held in Amsterdam between CABI, ICO, Rabobank and CFC be put to practice by identifying an additional bank to be engaged in the project.

**BUILDING CAPACITY IN COFFEE CERTIFICATION AND  
VERIFICATION FOR SPECIALTY COFFEE FARMERS IN EAFCA COUNTRIES  
CFC/ICO/45**

**Period covered by the report: January to June 2014**

**1.0 Assessment of Technical Progress**

The key component of focus in the period under review was farmer training. This focus was premised on the fact training of master trainers, trainer-of-trainers and auditors had been finalized from the previous reporting periods. In this regard the key technical progress highlights in the reporting period are outlined as follows:

- Training of 96% of target number of farmers. This is premised on the 2,419 farmers trained in the period against the 2,500 farmers target earlier set.
- Additional 2,500 farmers working towards certification
- Successful farmer training in Ethiopia which was lagging behind
- Completion of the IT portal (sub-domain: cfcico.afca.coffee)
- Progress on linking farmers' coffees to sustainable markets.
- Market linkages of coffees to sustainable markets in the USA and Europe. The outputs of participation at the AFCC&E, SCAA and SCAE include the following:
  - (a) Buyer/roaster interest of in certified coffees from the region. For example Kaffa Coffee of the USA will be sourcing some coffees from the Yirgachaffe Cooperative union in Ethiopia. Other buyer interests were generated for Mambo Coffee from Tanzania, Mzuzu Coffee from Malawi and Munali Coffee from Zambia.
  - (b) Formed a direct business-to-business link between the 1,500 farmers (Kabonera, Cooperative in Uganda) earlier certified (4C Association) in the project and specific buyers from Europe (For example HHY Group, Turkey).
  - (c) Creation of awareness for sustainability standards being implemented in the region. These are Rainforest Alliance, Utz Certified, Organic certification and the Common Code for Coffee Communities (4C Association).
  - (d) Creation of project interventions by the development partners: the EU, the CFC and the ICO.

## **2.0 Assessment of resource utilization**

The budget utilization in the period was 60%. The challenge was attributed to the time-lag between the receipts of expensed accountabilities by the PEA from the national institutions and the actualization of the reimbursement requests from the CFC. This scenario impacted negatively on the velocity of the implementation of the project activities.

## **3.0 Assessment of project coordination and management**

During the period under review, a successful supervision mission was undertaken by a team from the CFC and the ICO. This event culminated into a project meeting for stakeholders on 15 February 2014 in Bujumbura, Burundi. The meeting outlined recommendations for action as the project was coming to the close in November 2014. The recommendations included the speedy completion of farmer training activities in the remaining countries and also the completion of the project IT portal.

The restructuring of the project coordination in Ethiopia (premised on an in-country output of a stakeholders workshop held from previous reporting period) led to positive results in that 674 model farmers in Ethiopia have been trained. The ripple effect of this activity will be 3,370 additional farmers being trained. Ultimately the total number trained will be 4,044 farmers in Ethiopia.

## **4.0 Social and environmental effects of project implementation**

Though the overall observable positive social and environmental effects of the project will be noted after the project comes to the end, it is noted that for coffee cooperatives that have implemented the certification standards positive effects are being realized. For example, visible positive social effects were noted in Malawi at Mzuzu Coffee Planters' Cooperative Union (MZCPCU) where the Fairtrade and the 4C Association standards are being implemented. The same social impact was noted at Oromia Coffee Cooperative Union (OCCU) in Ethiopia where educational and health facilities had been built from premiums obtained as a result of Fairtrade certification. Other social effects of implementing the standards being espoused in the project included access to decent housing and clean drinking water. In addition, it was noted that there was general improvement in the awareness of hazards of environment pollution among cooperatives that have been trained in the project.

## **5.0 Forward planning of project implementation**

In a nutshell the remaining period will be dedicated to:

- Consolidation of the project results
- Actualization of farmer certification/verification.
- Undertaking of in-country impact assessments and reporting.
- Presentation of the project results to the project development partners at the ICO meeting 22 to 26 September 2014.
- Project closing workshop scheduled for 13 November 2014, Nairobi, Kenya
- Consolidation of project results, lessons learned, recommendations and conclusions.
- Financial Audit
- Final report and handover.

## **6.0 Lessons learned**

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

- The realignment of project coordination in Ethiopia resulted in positive results of acceleration of project implementation resulting in training 674 model farmers. The ripple effect of this approach culminates into 4,044 farmers being trained in Ethiopia as each model farmer will train five farmers.
- The synchronization of the training activities to the respective coffee seasons in each of the countries, enhanced availability of farmers and subsequent participation in the three training activities. This resulted in over 96% attendance in most farmer training sessions undertaken.
- The assessment of the performance of professionals trained in the project was positive in that they expediently executed the farmer training programme well. These were the master trainers (MT) and the trainer-of-trainers (ToT) earlier trained in the project.
- The budget utilization during the period under review was 60%. As reported from the previous period, the time-lag between receipt of expensed accountabilities from the national coffee institutions and lodgement of reimbursement requests to the CFC headquarters affected the rate of budget utilization (which under the period was at 60%) and the velocity of implementation of project activities.
- The reduction in the project operating float had a negative bearing on the implementation of activities. The reduction was a result of the earlier budget cut by

the EU and gradual recovery of the funds advanced to the project at the start date of the project network diagram.

## **7.0 Conclusions and Recommendations**

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

- Notwithstanding the operational constraints in resource utilization, the implementation process was expedited in the period under review. This resulted in the realization of 96% of target farmer trained, significant linkage of coffees produced to coffee markets, successful completion of the IT portal and completion of the financial project audit (for the period January to December 2013).
- In the remaining period of the project, it recommended that the time-lag between processing remittance of reimbursement requests be minimized in order to increase the velocity of project completion activities on the work plan. Furthermore, it is recommended that and the development partners in collaboration with the project executing agency (PEA) would commission a comprehensive project impact assessment upon whose findings would build on the positive outcomes of the CFC-ICO-45 project. As impact of certification on the beneficiaries may take long after the project, it recommended that a monitoring and evaluation mechanism be put in place by the PEA in order to track future positive/negative effects of the project on target beneficiaries.