



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
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**Report of the
Virtual Screening Committee (VSC)
on two coffee project proposals**

Background

1. This report contains assessments provided by the Virtual Screening Committee (VSC) on the following two project proposals (one new and one revised) which will be considered by the Executive Board and Council in September 2010:

- **Improving African coffee processing and market access**, submitted by the Inter-African Coffee Organisation (IACO) (document WP-Board 1062/10)
- **Pest control model and Good Agricultural Practices (GAP) application in different coffee growing areas in Indonesia** [formerly: Pilot project on implementation of the Integrated Pest Management (IPM) to control the Coffee Berry Borer (CBB) in Arabica and Robusta coffee smallholdings in Indonesia], submitted by the Government of Indonesia (document WP-Board 1063/10)

2. The VSC is currently composed of Brazil, Côte d'Ivoire, Guatemala and Indonesia (exporting Members) and Germany, Italy, Spain and the USA (importing Members).

Action

The Executive Board is requested to consider the report of the VSC and to submit a recommendation on the two proposals to the Council.

REPORT OF THE VIRTUAL SCREENING COMMITTEE (VSC)

Summary of VSC screening by technical area

September 2010

Technical area	Improving African coffee processing and market access	Pest control model and Good Agricultural Practices (GAP) application in different coffee growing areas in Indonesia*
Coffee sector priorities	Adequate	Sep 2010: Adequate May 2008: Insufficient information
Project planning	Adequate	Sep 2010: Adequate May 2008: Insufficient information
Operational capacity of Project Executing Agency (PEA)	Adequate	Sep 2010: Adequate May 2008: Insufficient information
Sustainability	Poor	Sep 2010: Adequate May 2008: Missing information
Budget/cost-effectiveness	Poor	Sep 2010: Poor May 2008: Poor
Overall recommendation	The VSC was split on: approval (4) or revision (3)	The VSC was split on: Sep 2010: approval (3) or revision (4) May 2008: revision or rejection

* This is the second time that this proposal has been considered by the VSC. The screening results are shown in the above table as follows: September 2010 and May 2008.

1. Improving African coffee processing and market access, submitted by the Inter-African Coffee Organisation (IACO) (document WP-Board 1062/10).

Screening by technical area	Score
Coffee sector priorities	Adequate
Project planning	Adequate
Operational capacity of PEA	Adequate
Sustainability	Poor
Budget/cost-effectiveness	Poor
Overall recommendation:	The Committee was split on whether to recommend the proposal submitted by IACO for approval (4) or revision (3)

General comments:

- (a) This project proposal is designed to reduce poverty of coffee farmers in a sustained manner through equipping farmers with entrepreneurial skills and access to both local and foreign coffee markets.
- (b) The proposed Project Executing Agency (PEA) is the Inter-African Coffee Organisation (IACO).
- (c) This is the first time that the Committee has considered this proposal. The Committee was split on whether to recommend the proposal for approval or revision.

VSC comments:

- Concerning the screening of the proposal against coffee sector priorities: three Members highlighted that the proposal is relevant for the coffee sector; offers sustainable opportunities along with increasing beneficiaries' incomes and contains some very good ideas, particularly to develop African roasting and processing capacity for value-added coffee exports. Another Member noted that the proposal is interesting since it tackles the needs of the weak segment of the coffee sector and addresses them through market solutions. However, it was noted that the main innovation is methodological rather than technological. On the overall quality of the proposal, it was highlighted that the information provided is still poor and that the project idea seems better than its formulation.
- On the proposed project management, the following points were raised:
 - a) In general, the action plan is clear and theoretically feasible, but the proposal shows no ground level specifics of country situation and key players. The proposal does not explain why coffee production activities should be part of the same project to strengthen coffee roasting and exporting capacity.

- b) The proposal includes background on the African coffee industry and a broad framework (list of steps) for implementing project components, but lacks specific information on how activities will be implemented in each country. Given the two distinct but related project components and the intent to implement activities in two countries, how will the proponent obtain the results articulated in the logical framework? The fourth component 'Network with foreign importers' needs to be detailed to avoid complexity at the time of implementation.
 - c) Regarding the target, it was suggested that more specific and technical institutions in the countries involved should collaborate with the PEA for best results. There is no mention of private sector involvement and coffee production and group formation activities are inadequately detailed and developed; reference to this could confirm the proponent's understanding of the coffee sector in the countries involved and an acceptable level of analysis, which is completely lacking in this proposal. It is suggested that proponents provide information on the approximate number of direct beneficiaries and introduce capacity-building to strengthen decision-making on business alternatives/crop diversification according to coffee profitability and develop aspects relevant to sustainable farm management (environmental and social).
 - d) The proposed indicators are weak. Most of them should be revised, since they are either difficult to verify ('Internal and external market access made easier') or there is no assurance that the possible improvement is attributable to the project ('Higher incomes received by coffee farmers'). Insufficient information is provided on local coffee production constraints or conditions.
- On the potential impact of the project, it is also important to consider that the direct involvement of entrepreneurs implies their direct action and subsequent level of risk assumption for the project and this is not considered in the proposal. It is suggested, therefore, that entities that are specialized in building entrepreneurial skills among farmers could be involved.
 - On the cost-effectiveness of the proposal, it was highlighted that major activities to be funded by CFC grant contribution are for the acquisition of roasting machines and to finance purchases of green coffee. Considering CFC policy for funding, these activities should be supported through the loan, as roasters would be able to produce sufficient return to repay the CFC. A stronger co-financing commitment letter from Afreximbank is also necessary to make budget numbers credible.

Additional VSC comments and suggestions:

- The proposal could be revised to address specifics on local coffee production and marketing constraints in order to demonstrate an understanding of the ground level specifics of each country's coffee industry, including key local industry players.

- The proposal could describe, even illustratively, how farmer groups, production areas, private sector roasting, processing and exporting firms that could be involved with the project. The proposal could consider addressing private-sector involvement with this project, including a list of participating roasters and exporters.
- The proponents should consider providing analytical evidence or a market study that demonstrates the potential for African roasters to gain access to North African processed coffee markets. Why is only the North African market included? This analysis must be done before this proposal would have credibility.
- The proposal could describe in greater detail the PEA’s capacity and track record in managing this type of project. Is the proponent considering the option to subcontract with a Kenyan and a Côte d’Ivoire based NGO or consulting firm to assist with on-the-ground project implementation in each country?
- The proposal could address gender and sustainability components and flesh out the Project Monitoring, Supervision, and Evaluation section of the proposal, preferably with a detailed organizational chart. To successfully implement a project of this scope and complexity might require a team of technical and implementation staff dedicated solely to this project.

2. Pest control model and Good Agricultural Practices (GAP) application in different coffee growing areas in Indonesia [formerly: Pilot project on implementation of the Integrated Pest Management (IPM) to control the Coffee Berry Borer (CBB) in Arabica and Robusta coffee smallholdings in Indonesia], submitted by the Government of Indonesia – Project outline documents WP-Board 1063/10 and WP-Board 1051/08.

Screening by technical area	Score
Coffee sector priorities	Sep 2010: Adequate May 2008: <i>Insufficient information</i>
Project planning	Sep 2010: Adequate May 2008: <i>Insufficient information</i>
Operational capacity of PEA	Sep 2010: Adequate May 2008: <i>Insufficient information</i>
Sustainability	Sep 2010: Adequate May 2008: <i>Missing information</i>
Budget/cost-effectiveness	Sep 2010: Poor May 2008: <i>Poor</i>
Overall recommendation:	The Committee was split on whether to recommend the proposal submitted by Indonesia for: Sep 2010: approval (3) or revision (4) May 2008: <i>revision or rejection</i>

General comments:

- (a) The aim of this proposal is to establish a model of pest control as an effective and efficient measure to control CBB acceptable to smallholder Robusta and Arabica farmers in different geographic and climatic conditions, in order to: i) prevent yield losses and avoid quality deterioration due to CBB attack on coffee, ii) maximize profits of smallholder farmers, and iii) alleviate poverty through income improvement.
- (b) The proposed PEA is the Indonesian Coffee and Cocoa Research Institute (ICCRI) of the Ministry of Agriculture (AARD).
- (c) The Committee was split on whether to recommend the proposal for approval or revision.

VSC Comments:

- Concerning the screening of the proposal against coffee sector priorities, Members mentioned that this proposal looked promising as it has a good approach concerning the elaboration of recommendations for policy makers as a project goal, reflects the need for this kind of pilot project and does an excellent job of placing it in context with other pest control methods and past projects carried out in Indonesia.
- On the proposed project management, it was noted that:
 - (a) The proposal presents inconsistencies between logical framework, description of activities and budget schedule e.g. concerning number of beneficiaries/participants and schedule of activities and expenditures. It is unclear why a national workshop is required to discuss pest control methodology and exactly which pest control practices are being tested and/or promoted. Insufficient implementing details make it difficult to evaluate appropriateness of specific activities.
 - (b) Regarding the beneficiaries targeted, the proposal does not provide justification for training 100 extension workers or what they will do with that training. More details could be provided on the farmer and the extension worker training activities. Therefore, sustainability or replicability of training activities should be addressed, i.e. outside of the 200 farmers and 100 extension workers trained, what are the plans to diffuse and disseminate the project findings? If this is a pilot project, then what is the next step or follow-on project going to look like?
 - (c) It appears that the ICCRI, as the proposed PEA, has the necessary management expertise to carry out the project but this is not discussed at length in the proposal.
 - (d) Gender is not addressed at all; if this topic is not relevant to project activities, then the proposal could explain why.

- On the potential impact of the proposal, it was highlighted that transfer of technology, in principle, could be one of the strengths of the project, but there is no detailed explanation of how to do it.
- The main weakness is the cost/effectiveness of the proposal against the objectives to be achieved. The budget seems to be too high for the type of activities suggested; many project components seem very expensive for outputs and objectives to be achieved. About 50% of the budget is allocated to Project Management, Supervision, Monitoring, Evaluation and contingency, which seems to be over proportional in relation to the investment allocated to project activities.

Additional VSC comments and recommendations:

- Component 2 needs clarification since a sense of the commitment of each project partner would be useful.
- Evaluation and monitoring are two different activities. It would be useful to understand who will do the on-going monitoring, when and how.
- The workplan and component budget need to be reviewed and revised as some aspects of them are confusing.