INTERNATIONAL COFFEE ORGANIZATION
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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 IV of document EB-3972/10 Rev. 1) and includes at the end a list of acronyms used in this document. Copies of the full six months reports are available on request from the Secretariat.

Annex I: Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua – CFC/ICO/11 (PEA: IICA/PROMECAFE)

Annex II: Pilot rehabilitation of neglected coffee plantations into small family production units in Angola – CFC/ICO/15 (PEA: INCA and CTA). Report to be circulated at a later date.

Annex III: Diversification of production in marginal areas in the State of Veracruz, Mexico – CFC/ICO/32 (PEA: Fundación de la Universidad Veracruzana A.C.)

Annex IV: Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador – CFC/ICO/31 (PEA: COFENAC)

Annex V: Enhancing the potential of gourmet coffee production in Central American countries – CFC/ICO/39 (PEA: IAO/MAE)

Annex VI: Developing the potential of Gourmet Robusta coffee in Gabon and Togo – CFC/ICO/42 (PEA: CABI).

Annex VII: Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries – CFC/ICO/40 (PEA: CABI).

Annex VIII: 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 2010

2. Status of Project implementation

Component 2.1: Construction of new coffee processing facilities (CPFs)

It is important to mention that in **Nicaragua**, in April 2010, the Government dissolved the *Fondo de Crédito Rural* (FCR) initially designated to issue CFC loans and transferred this attribution to a newly created *Banco de Fomento de la Producción 'Produzcamos'* (from now on BFP). This change has since had a negative impact on the loan disbursement and the trend of CPF construction.

In **Nicaragua**, 206 new CPFs have been constructed, which is circa 58% of the target of 355 CPFs. For the remaining 149 CPFs, loans to producers must be considered and approved by the newly established BFP, before construction works can be initiated. No rehabilitation work has been carried out, keeping the number of rehabilitated CPFs to 72. In Nicaragua, the construction work planned for this year will have to take place after December 2010.

For the conservation of natural resources, in **Honduras**, eighteen new agro-forestry trial plots have been established and the Comayagua nursery has produced an additional 700,000 tree seedlings during this semester.

Component 2.4: Training and dissemination

In **Nicaragua**, training for farmers − organized by the PEA with the assistance of MARENA and the BPF – has covered the following topics: i) Environmental management for the new units, ii) Coffee Marketing, iii) Promotion and new CPFs samples, iv) Management, installation, and maintenance of water circulation pump and v) Sustainable management of coffee cultivation.

In **Honduras**, a field study on the social and economic situation of the small and medium size coffee farm families was completed. The study concluded that there were positive side-effects of the project in favour of the improvement of family income and hence their living standard/conditions. In particular, the micro-loans offered to small producers at an annual rate of interest of 7%, supported by technical assistance to rehabilitate CPFs, generates a financial rate of return between 6% and 58%, enough to allow farmers to entirely repay the loan received.

Component 2.5: Coordination and supervision

In **Nicaragua** the MIFIC carried out 331 monitoring visits at the construction sites of the new units of the coffee processing and 135 supervision visits by the PEA. With the objective of monitoring project activities, the Steering Committee held five meetings attended by officials from the NEA, PEA and BFP, and 36 meetings to plan and coordinate activities with the PEA and the BFP.

In Honduras, coordination has been maintained at an adequate level through the Steering Committee and the Project Credit Committee, and the cooperation of authorities of CONACAFE and IHCAFE. The technical team at the regional offices of IHCAFE has had a key role in the project implementation at field level.

3. Assessment of resource utilization

In **Nicaragua**, only two disbursements of the CFC loan (US$1,600,000) of US$640,000 each have been disbursed, whilst the third of US$320,000 is still pending. The CFC loan contribution covered about 71% of the total cost of the investment for the construction of CPFs. The balance was covered by the beneficiaries' own funds.

From the grant, about US$56,470.50 was spent during this semester and currently there is US$32,934.44 in petty cash. The CFC has an amount of US$125,965.85 available for a disbursement.

The National counterpart provided by the MIFIC during this semester was US$33,877.11.

In **Honduras**, 100% of the CFC loan (US$1,600,000) was disbursed to farms by BANADESA for the construction and equipment of the CPFs. The CFC loan contribution covered about 75% of the total cost of the investment for the construction of CPFs. The balance was covered by the beneficiaries' own funds.

4. Assessment of project co-ordination and management

In Nicaragua, the Work Plan designed for 2010 cannot be completed during the second half of the year. Technical suggestions to catch-up on implementation in Nicaragua have been discussed. However, the time-frame for completion will depend on the availability of grant resources to enable the PEA to continue after December 2010.

In Honduras, with a six-month extension of implementation, the remaining grant of US$63,000 has been programmed for the concluding project activities during the next semester. As the CFC Loan funds have been fully utilized in a timely manner for the credit programme, the Project's Steering and Credit Committees have prepared a proposal to use part of the funds recovered by BANADESA from sub-loan repayments to continue the credit to other coffee farmers.

5. Social and environmental effects of project implementation and lessons learned

In Nicaragua the project has encouraged environmental responsibility at national level. MARENA has provided strong support to these activities, in particular in making recommendations on environmental management of the models of new units to be constructed.

In Honduras, no environmental permit was required for the reconstruction of CPFs during the last two years in Honduras, however regulations from municipalities and the natural resources and environment national authority (SERNA) are currently in effect and permissions may be required in future for the reconstruction of units.

6. Forward planning of project implementation

In Nicaragua, the Work Plan designed for 2010 cannot be completed during the second half of the year, because the harvest season for coffee has already started and will last until November, and the new Bank still needs: i) a transitional period to be fully operational, ii) expertise/familiarity to select Financial Intermediaries (FIs) and iii) complete operations for the current priority of issuing credits for corn, beans, sorghum, and the rice sowing season.

In view of this, the Government of Nicaragua (MIFIC) requested an additional extension for the implementation of the project, on a budget neutral basis, until 30 June 2011. However, the time-frame for completion will depend on grant resources available to enable the PEA to continue after December 2010.

In Honduras, with a six-month extension of implementation, the remaining grant of US$63,000 has been programmed for concluding project activities during the next semester.

As the CFC Loan funds have been fully utilized in a timely manner for the credit programme, the Project’s Steering and Credit Committees have prepared a proposal to use part of the funds recovered by BANADESA from sub-loan repayments to continue the credit to other coffee farmers after the project.

7. Conclusions and recommendations

In Nicaragua, the target set for the second half of 2010 will not be accomplished. The MIFIC requested an additional extension for the implementation of the Project, on a budget neutral basis, until 30 June 2010. An answer is awaited from the CFC.

In Honduras the field study conducted revealed that a new marketing strategy is required to enhance the commercial relationship between coffee growers and commercial intermediaries in order to overcome critical constraints for equity in prices received by farmers and the enhancement of the export coffee quality.

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

1. Period covered by the report: 1 January – 30 June 2010

2. Assessment of technical progress

Activities carried out during this semester focussed on the programmes financed from the first CFC loan disbursement (US$700,000). The initial delay in commencing activities (or sub-projects) was due to difficulties encountered by the Trust appointed by the State Government (FIDREVER) to manage funds as provided for in the contract; which required amendments to the statutes that took a considerable time.

With the second loan disbursement (US$832,400), a number of additional sub-projects were designed and are being carried out with additional government support for producers to cover around 50% of the total amount invested. This will permit the construction and equipment of three processing plants: one for processing dry commodities (pepper, guava leaves, cinnamon), another for fruit and other fresh commodities (passion fruit and other fruits used for manufacturing extracts and juices), and a third for processing coffee, to be installed in areas with microclimates suitable for growing coffee of acceptable quality.

The reforestation component involved production of vegetative material in the two regional DIPROCAFE nurseries and the planting of more than 400,000 saplings for reforestation during the reporting period covered. This has helped to strengthen the 'Reforestation Services for Socially Responsible Organizations' project, which is being developed by the Integrating Company and will continue on a permanent basis with grants from other socially responsible enterprises and the work of the Integrating Company.

During this reporting period diversification of cinnamon production involved training producers to harvest their first crop of around five tonnes in July and August.

3. Evaluation and use of resources

During the period covered by this report, expenditure totalled US$74,645.75; this sum was charged to the CFC grant account, leaving the following amounts available at the date of this report:

- $220,042.00 Mexican *pesos* in the daily operational account of the project;
- US$73,220.23 in the US dollar account kept by the University of Veracruz for conversion as and when required; and
- US$38,947.00 still held by the CFC in the Netherlands, according to data provided by Mr Caleb Dengu.

During this reporting period the most significant amounts spent were: US$25,981.80 for field wages paid to farmers working on the establishment and maintenance of nurseries; US$14,592.19 for office rents, services and building maintenance; US$9,531.80 for national and international travel; US$8,326.94 for wage payments to local personnel hired to work directly with participating farmers; US$6,734.99 for travel expenses (board and lodging) and US$9,478.04 for other expenditures (stationery, sundry materials, dissemination, maintenance of vehicles and other equipment, sundry nursery materials and inputs).

The sum of US$78,325.25 was spent from counterpart funding provided by the *Universidad Veracruzana* for payments to personnel hired to implement the project. This contribution by the University is now part of its regular budget and will be used to develop the new Diversification of Production Programme which the *Universidad Veracruzana* is in the process of designing, with activities planned for other regions and crops using the methodology and experience of DIPROCAFE, as well as continuing to monitor ongoing activities originally initiated by the programme on a permanent basis.

4. Evaluation of the coordination and project management

During the period covered by this report project coordination focussed on consolidating ongoing activities, and this will continue until the conclusion of the project at the end of August 2010. A priority has been the establishment of a permanent programme in the *Universidad Veracruzana* (DIPRO UV), which involved a great deal of internal negotiation. The project team also attended a number of international meetings, including the World Coffee Conference held in Guatemala City in February 2010.

In addition, the University has provided funding for new activities and additional projects to those covered by the CFC loan in new areas and for other commodities, with support from the regional Vice-Rectories of the *Universidad Veracruzana*. This is one of the positive multiplier effects of the CFC/ICO project.

5. Social and environmental effects of the project implementation

At a difficult time for the Mexican economy, with the resurgence of the effects of the world financial crisis, project activities have made it possible to employ some of the surplus labour in areas which could not be accommodated by migration to the United States or to urban areas in Mexico, (for example, in the case of producers participating in sales of guava leaves agricultural incomes and labour employed doubled during this period).

The continuing introduction of reforestation plants and support for the establishment and management of communal nurseries is having an impact at present exceeding two million saplings, equivalent to two thousand reforested hectares planted in project regions, which will contribute over the next few years to soil protection and more stable climates in the reforested areas.

Given the expectation of a period of improved prices for coffee and commodities in general, the entrepreneurial organization of producers promoted by the DIPROCAFE project has enabled them to take commercial advantage of current circumstances. This will give them considerable economic strength in future, since they can continue marketing diversification products while obtaining improved prices for coffee (for however long as this may last). Some producers have already succeeded in doing this and when prices fall again they will have a safety net to mitigate the effects of the downturn that would not have been available if they had continued with a coffee monoculture.

6. Replication of the project

The project has been very well received in official and university circles as well as by farmers and local authorities in beneficiary municipalities.

Municipalities in the neighbourhood of Zozocolco and Atzalan in which project activities have been implemented are considering the use of the methodology developed by the University to revive employment and regional competitiveness, and for this purpose they are being advised and assisted by DIPROCAFE.

7. Future planning of the project implementation

In parallel, and with funding provided by the University, a new stage is being planned on the basis of project results, in which the University will participate in seeking competitiveness in the five regions where it has an influence, using the methodology and findings of the project. This has now become a permanent programme.

8. Conclusions and recommendations

- With the model proposed by the project it was possible to reverse to a certain extent, the development model established by Mexico in the 1980s, which proved to have undesirable consequences on the social fabric of the rural communities because of unemployment and migration, and on the quality of life in urban areas because of underemployment and delinquency.
- Experience in entrepreneurial organization in pyramid form, which can permit competition with economies of scale and channel technical assistance and commercial support to encourage profitable prices and competitive processes in the most marginalized rural communities, has proved valuable in combating the underlying causes of poverty in the areas concerned.
- The University needs, therefore to experiment with new production areas and products, while at the same time disseminating achievements and methodologies, in order to motivate Federal and State decision-makers to adopt options of this nature and integrate them into public development policies.

ANNEX IV

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

Period covered by the report: 1 January – 30 June 2010

The project has been implemented in Ecuador since 1 October 2007 and is due for completion on 30 September 2011. The progress of project implementation after 33 months is detailed below:

Component 1: Organizational strengthening

Adoption of the Internal Control System (ICS) was monitored in June 2010. This assessment established that: 83% of the farms involved are carrying out reconversion plans satisfactorily; 15% are slightly behind with planned activities, and 2% are seriously behind and have been given 60 days to catch up (by 30 August 2010).

Strategic planning, including backup for the project technical team to encourage the development of complementary projects, has now managed to complete 14 sub-projects, a further 19 are in process of implementation and 7 are being defined.

Revolving Funds, established with the payment of contributions in kind to producers equivalent to an amount of US$292,221, are operating with recovered seed capital totalling US$88,148. This amount has been used to provide 452 micro credits (for sums ranging between US$50-300) for producers involved in the project to pay for their farm requirements and family needs (medication, school material, etc).

Component 2: Diversification of production systems

Reconversion plans are being adopted satisfactorily.

Producer training is continuing: between January and June 1,545 training sessions were held on sustainable management of agricultural production units (coffee, rice, maize, groundnuts, bananas citrus fruits, family food crops and other crops) and 854 sessions on animal husbandry activities (poultry farming, pig farming, beekeeping and fish farming).

Semi-intensive coffee farming now covers 2,851 ha and has increased productivity from 3.67 quintals of green coffee/ha (base line in December 2007) to 8.22 quintals (monitoring in December 2009); this represents an average increase of 4.55 quintals of green coffee/ha. A further 1,607 ha of coffee farms were renovated using improved varieties and appropriate management techniques. Construction of new family units was hampered by limited access to water for irrigation purposes, maintaining the number of new units established at 852.

Between 2007 and 2009 agricultural reconversion of unproductive pastures and stubble land accounted for an average of two hectares per farm; one hectare being used for short-cycle crops (an increase from 0.3 to 1.39 ha per farm) and the other for annual crops (an increase from 0.19 to 1.09 ha per farm).

The project target of planting at least 200,000 timber trees, fruit trees and environmentally-beneficial trees has been surpassed, with around 440,542 trees already planted in accordance with various agroforestry systems.

In the three provinces covered by the project (Manabí, El Oro and Loja), incorporation of livestock activities on farms was highly successful: 99.8% of farms are now rearing free range poultry and/or laying hens, 46.3% are raising pigs, 10.1% are raising cattle, 9.7% are engaged in beekeeping, and 1.1% in fish farming. Other livestock activities, which were developed on a smaller scale, include raising of guinea pigs and goats.

Producer organizations involved in the project have improved their coffee warehousing and processing facilities: in Manabí 10 communal warehouses are now operating, while in El Oro and Loja 646 tub tanks for fermentation and washing of coffee beans have been constructed, as well as 659 glass-roofed solar driers. This new infrastructure has permitted improvement of coffee quality, which provides better prices for producers.

Component 3: Agro-industry and joint marketing

A module for the processing of roasted and ground coffee has been established and is operational in each of the provinces of Manabí and Loja. As at 30 June 2010 these units had processed a total of 82 quintals of green coffee, equivalent to 65 quintals of roasted and ground coffee. In addition, six units for producing compound feed were distributed to the organizations involved in the project (two per province), and have now processed around 1,200 quintals of compound animal feed.

Honey gathering equipment was distributed in the three provinces, and in Manabí 250 litre of honey has already been gathered. This first honey crop is entirely destined to in-farm family consumption and it is hoped that after the second crop (the surplus) some of the honey will be sold by local cooperatives.

Component 4: Project dissemination

At the World Coffee Conference held in Guatemala City from 26 – 28 February 2010, COFENAC had an exhibition stand in the pavilion reserved for International Coffee Organization (ICO) project activities.

During the meetings of the International Coffee Council held in Guatemala City from 1 – 4 March 2010, COFENAC, with the support of Anacafé and the ICO, held a first project dissemination workshop, with the participation of 19 technicians from Guatemala, Mexico and Honduras.

Social and environmental effects of project implementation

- The reconversion of coffee farms has facilitated the introduction of new agricultural and livestock activities in traditional coffee farms, making it possible to diversify food sources and ensure food security among the families involved. Prices paid for better-quality coffee have also improved, as have income from sales of surpluses of other agricultural and livestock products.
- Revolving Funds provide an additional opportunity to meet other needs, including health, clothing and education.
- Following a mid-term assessment carried out by COFENAC, it was established that net family incomes had improved as a result of project activities by the following amounts: between 2007 and 2010 in the province of El Oro average net income rose from US$41.4 to US$161.7 per month (around US$120.3 net increase monthly), in Loja from US$65.0 to 185.6 per month (around US$120.6 per month), and in Manabí, where there was less project impact, from US$51.9 to US$93.7 per month (around US$41.8 per month).
- Soil conservation practices have been introduced, together with measures to protect water sources, clean technologies and reforestation with ecologically and commercially valuable species, in all farms involved in the project. These activities are vital given the risks associated with El Niño phenomenon as well as to ensure the conservation of prevailing agro-ecological conditions. Of the 1,244 farms involved in the project 46.7% have a low level of soil erosion; 38.9% have medium erosion; 2.9% have high erosion, and the remaining 11.5% are erosion-free. 80.5% of coffee farms have some remaining woodland. The number of trees planted during the first 27 months of project execution was as follows: 159,521 timber trees; 13,285 fruit trees and 131,040 environmentally beneficial trees. The total number of trees planted was 303,846.

Assessment of resource utilization

Budgeted expenditure attributable to the contribution from the Common Fund for Commodities (CFC) for the implementation of project activities during this reporting period totalled US$762,574.55, representing 68.2% of the total financing for the project.

ENHANCING THE POTENTIAL OF GOURMET COFFEE PRODUCTION IN CENTRAL AMERICAN COUNTRIES
(CFC/ICO/39)

1. Period covered by the report: 1 January – 30 June 2010

This CFC/ICO project is part of a wider Programme *caféycaffè* financed by the Italian Cooperation Agency in Central America. Both were launched in Guatemala on 6 September 2007. The PEA is the Agronomic Institute for Overseas of Florence (IAO). The CFC/ICO project was due to end in July 2010, while the Programme *caféycaffè* will continue until December 2010.

2. Status of project implementation

Component 1: To select potential gourmet coffee producing areas

During this period, the 'Roasters Club', a group of 10 Italian roasters that was launched last November in El Salvador, now operating in Central America to strengthen relationship with Central American producers via the Programme *caféycaffè*. The club has already facilitated experts to train producers involved in the project on how the Italian coffee market works and directly purchasing high-quality coffee from the project producing areas of Guatemala, Costa Rica and Honduras.

During the World Coffee Conference, held in Guatemala in March 2010, a stand showing results, methodology and relevant publications of the project was displayed and the final workshop of the project was also held with the participation of all the project stakeholders in the effort of informing the coffee community about the achievements and lessons learnt.

Component 2: To re-organize the coffee production chain with particular attention to cultivation and harvesting

The Project has been able to define and introduce to farmers involved (circa 3,300) a specific code of conduct which has helped to follow best practices to standardize cultivation, harvesting and processing and to strengthen organisational and management skills of farmers. This code has also been instrumental in the effort to re-organize the coffee production systems, where particular importance was given to preserve local cultivation methods.

The construction of a demonstrative ecological pulping unit in each country has allowed to show how to effectively comply with quality control activities, preserve high quality standards, effectively use and dispose coffee by-products (coffee pulp, etc.) and to substantially reduce environment pollution and water consumption.

Component 3: To identify and transfer new techniques to improve coffee processing and quality control, creating three Units, one for each country

In **Guatemala** the demonstrative ecological pulping unit constructed in Huehuetenago is currently operating, and a manual developed by the IAO is currently being used by local institutions for training and replication of additional demonstrative units.

A number of 30 low cost solar-powered dryers were completed and are being used to dry coffee and other crops such as beans and corn, and to grow vegetables – using it as a greenhouse. Seven mushroom growing units and 14 worm composting units were installed and have started to operate. In the case of the mushrooms units, mostly managed by women, income generated have improved standard of living and contributed to differentiate the local diet. Also the worm compost produced, which has been analysed and assessed by Anacafé laboratories (ANALAB), has resulted in a good quality product with high level of nutrients that contribute to saving in fertilizers and to boost efficient organic production.

In **Honduras** the demonstrative ecological pulping unit together with a 400sqm drying courtyard and a compost unit are under completion to be fully operational during the 2010-11 harvest. A number of 15 solar dryer (Domes type) were completed and being used during the harvesting period. In the framework of the coffee by-products utilization, IHCAFE has also started demonstrations of how to build the mushroom cultivation units.

In **Nicaragua** the MIFIC has completed a nursery to produce 120,000 coffee plants. The demonstrative ecological pulping unit has been completed and together with 20 low cost solar-powered dryers are ready for use in the next coffee harvest. During this period construction of 10 mushroom cultivation units were also completed and remains only to start the demonstration of the mushroom production and completion of the Technical Guide for Quality Coffee Production.

Component 4: To develop an IT system to produce and promote quality coffee

The website continues to be an important tool to exchange and share good practices and to keep stakeholders informed about progress made and new publications on line. A digital version of the different Manuals and handbook developed under the project can be downloaded from the Project website, www.cafeycaffe.org. After the end of the project the web page will be handed over to the Roasters Club to be used as a platform for Q&A between its members and producers.

3. Assessment of resource utilization

To date the PEA has received three disbursements from the CFC grant for a total amount of US$ 411,362.68. It is still pending the last transfer for US$ 206,197.32.

The PEA has transferred US$280,500.00 to the Project Institutional Partners (US$105,500.00 to Anacafé, US$95,000.00 to MIFIC and US$80,000.00 to IHCAFE) and has spent, for the implementation of the respective project components the amount of US$105.858,27. To date the Project Institutional Partners have spent almost all the funds transferred by the PEA for the implementation of field activities.

During the present reporting period the IAO has received the third disbursement from the CFC grant for the amount of US$144,910.29. The IAO has transferred US$40,000.00 to IHCAFE, US$30,000.00 to Anacafé and US$30,000.00 to MIFIC. Project expenses totalled US$ 121,272.42, of which US$89,729.21 have been spent for coordination and supervision.

4. Social and environmental effects of project implementation

The capacity building of the project have contributed to farmers understanding about the negotiating power that they obtain by processing their coffee according to best practices to maintain high quality and preserve the environment. It has also emerged that drying their coffee has allowed small farmers to start negotiating the price of their coffee and, in some cases, also to contrast the activities of the middleman. Furthermore, trough the direct marketing between gourmet coffee roaster and small coffee farmers of Central America, fair price for their quality coffee have been guaranteed.

5. Forward planning of project implementation

In Guatemala and Honduras the project CFC/ICO/39 has completed successfully all planned activities.

In Nicaragua, due to the slow administrative process of MIFIC, worsened by the torrential rains of May and June, the following activities were holdback and still need to be concluded:

- Construction of 7 additional dryers, which are going to be constructed beyond the target established
- Demonstration of mushrooms production, using the 10 recently constructed units
- Completion of the Technical Guide for Quality Coffee Production

In view of the above, a letter requesting an additional six-month extension was received from the Government of Nicaragua. The PEA supports this request on a budget neutral basis, since the Programme *caféycaffè* (financed by the Italian Cooperation Agency in Central America) will continue until December 2010.

6. Conclusions and recommendations

Smallholders' efforts to improving the quality of coffee have allowed better yields and income, opening up opportunities for niche markets.

National coffee institutions are very keen in promoting coffee trade and increasing quality, however, small farmers still require training support to reach the necessary understanding of modern (available) technologies and best practices from the cultivation to the cup.

The project's proposed technologies had been chosen with a view to their simplicity, versatility and adaptability to the agricultural and environmental situation. This new approach to coffee will prompt farmers, producers and distributors to organize contacts and meetings and carve out 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 this report: 1 January 2010 – 30 June 2010

2. Status of project implementation

The project continued in accordance with the Annual Workplan and budget for the year 2010.

Component I – Improving quality and productivity in existing coffee

- To enhance access to agricultural inputs through a credit facility, project farmers in Gabon were provided with the necessary agrochemicals including fertilizers, insecticides and farm tools facilitated increased productivity and quality, all on a grant basis. In the case of Togo, the CCFCC facilitated the acquisition of fertilizer which was subsequently provided to all the coffee farmers taking part in the project. The fertilizer was provided on a credit basis and at a whole sale price.
- The training activity was aimed at empowering extension workers and trainers with new skills in coffee production practices including pruning, weeding, mulching, use of fertilizers/pesticides, post-harvest handling, processing, traceability, storage and handling during transportation. The activity was successfully undertaken in both Togo and Gabon.
- The activity is also aimed at providing training on guidelines for GAP for gourmet Robusta in line with the 4C Code Matrix in addition to providing farm hand tools to facilitate compliance. Eventually, it is expected that the coffee produced through the improved practices would be certified as compliant to the mainstream certification systems such as the 4C. Training on good agronomic and processing practices was undertaken in both Gabon and Togo.
- In order to identify the groups and sites for establishment of gourmet coffee production, eleven new demonstration plots were established in Togo. This completes the establishment of demonstration plots in the country. Analysis of the baseline data was different to the second half of the year. The activity is therefore set to be fully realized by the end of the year.
- To facilitate access to seedlings of improved varieties, the mother gardens in Togo were rehabilitated whereas a number of new nurseries were set-up in Gabon and seeds of improved varieties introduced from Cameroon and Côte d'Ivoire. These nurseries were maintained during the year. Mother gardens rehabilitated in year 1 were maintained in Togo and a total of 30,000 seedlings were produced through cuttings and distributed in the various zones. In the case of Gabon, adequate quantities of seedlings were produced and distribute to the farmers. All the 10 demonstration plots established during the first and second year continued to be maintained and used for teaching purposes.

- All the project farmers in Togo were trained by the local trainers in the areas of selective coffee picking, drying and removal of parchment. In addition, farmers in Gabon were trained on how to construct improved coffee drying beds using local materials. A total of 65 smallholder farmers were trained in this area.
- Monitoring sale of the coffee – traceability: The coffee in Gabon came into production for the first time during this year. Harvesting was continuing by the end of this reporting period. Togo on the other hand produced a total of 31.6 tons of coffee processed using improved methods.
- To facilitate marketing, quality samples were forwarded to a laboratory in Switzerland for analysis. The results indicated that the beans still had high level of moisture content and had an elevated level of defects such as insect damage and broken beans. These results will be useful in formulating training on improved harvesting for the coming season.
- Machinery and equipment for washed Robusta coffee includes the supply of hand-pulping equipment to small-holders to enable them to produce washed Robusta coffee. It also includes enhancing existing export processing facilities to make them suitable for milling parchment coffee (from the washing process), and to ensure a gourmet quality output. The activity is yet to be initiated.
- For the installation of equipment for production of washed Robusta coffee, training was given to farmers to produce and process coffee which meets the standard of the gourmet Robusta market. The equipment purchased for this purpose have all been received in both Gabon and Togo. A total of six pulping centres (three in each zone) were established in Gabon each centre serving 15-20 smallholders. Installation of the dry mill in Togo was also initiated.
- The liquor quality laboratory in Gabon was installed and the necessary training on the use of the equipment undertaken. The facility is currently being used.

Assessment of resource utilization

The total expenditure amounted US$214,659.42 for the period between January and June 2010. The total budget for 2010 is US$560,489.05 (less 5% contingency) and the budget utilization by the end of June was 38%. Activities that were not undertaken in 2009 and moved to 2010 are being undertaken and this will lead to a higher utilization since they will be carried out in the second half of the year. The counterpart contribution during the period amounted to US$104,336.15 out of a total budget of US$250,478.75.

The expenditure in relation to the budget is as follows; Component 1 – 11%, Component 2 – 68%, Component 3 − 64%, Component 4 − 76%, Component 5 − 34% and Component 6 − 47%. The overall budget is 38% as mentioned above.

The claims' turnover during the period up to June 2010, has been low and we are following up with partner countries to try and see why this has been so as to ensure that the bi-monthly submission of claims is maintained by partners.

Funds received from the CFC during the year amounted to US$286,290.15 being claims both for PEA and PI's. This has facilitated efficient cash flow for the project activities especially for PI's in implementing activities for 2010.

Assessment of project co-ordination and management

Most of the project management systems were set during the first year and the collaborators trained on the management and accounting procedures. As a result, country coordination went on well during the period.

Social and environmental effects of the project implementation

The project is already having a positive impact on the producers by improving their skills and knowledge base on improved coffee production and processing practices. The sensitization campaign undertaken in Togo during the first year gave hope to the farmers who have since improved their coffee production levels significantly. More impact on the households is expected once the coffee produced during the current year is sold.

Forward planning of the project implementation

The main challenge for the coming months will be to ensure that the coffee produced with these new processing practices is marketed according to quality. The other crucial activity is to have the equipment installed and used during the October – December harvest in Togo. Additional CQI training on coffee quality appraisal will be undertaken in September 2010.

Conclusions and recommendations

In conclusion, the project will meet most of the objectives for 2010. However, as observed earlier, Gabon has just harvested its first crop under the project and the dry mills in Togo will be used for the first time during the coming harvest. It is strongly recommended that a no-cost extension of the project be considered to enable the two countries to experience the benefits of the improved processing practices as stipulated in the project appraisal report.

INCREASING THE RESILIENCE OF COFFEE PRODUCTION TO LEAF RUST AND OTHER DISEASES IN INDIA AND FOUR AFRICAN COUNTRIES

(CFC/ICO/40)

1. Period covered by the report 1 January to 30 June 2010

2. Status of project implementation

Substantial progress has been made in data collection from varietal trials for screening varieties, including the two Indian selections, for resistance to diseases started during the reporting period, a year after planting out the trials.

Epidemiological studies involving shade and assessment of economic impact of coffee leaf rust disease are being carried out in Kenya where the shade data is not yielding conclusive results. Socioeconomic surveys were implemented in India only, and are almost concluded. Farmer Field Schools progressed well in all countries and provided a forum for farmers to learn about proper coffee management in general and in particular management of coffee diseases including coffee leaf rust. Participatory approaches are being employed in this activity. Demand for seed of improved varieties was documented in Kenya and India where the activity is carried out continuously by the coffee institutes.

Maintenance of seed gardens provided a source of seed of the existing improved coffee varieties. In addition, Uganda propagated coffee wilt resistant clones using tissue culture technology which was partially supported by the project.

Furthermore, existing coffee collections in participating countries were conserved and managed under the project, through provision of farm inputs and general maintenance. A number of coffee collections which could have been lost have been revived by the project.

Coffee leaf rust samples were collected and sent to Portugal for determining coffee leaf rust races occurring in the respective countries. Samples were sent by Uganda, Rwanda and Kenya. In addition the three countries sent their scientists for training in race typing. India continued verification of new races in Portugal.

Data collection started on varietal trials for screening two Indian coffee selections and local varieties for resistance to coffee leaf rust and coffee berry diseases. Anecdotal result in Kenya has shown that one Indian selection is tolerant to Bacterial Blight of Coffee (BBC). In general the two selections have shown a great degree of resistance to coffee leaf rust during these early stages of evaluation. However some segregation seems to be evident, which may require further selection into varieties in Africa. Field trials on screening fungicides progressed well in all countries and substantial data were collected. The fungicide trials are being implemented in India, Rwanda, Uganda and Zimbabwe.

Communication activities included developing and dissemination of information materials posters, leaflets, and curriculum and running farmer field schools which were backstopped by the PEA.

All audit reports were completed in all participating institutions. CABI backstopped and monitored all PIAs with one trip to each of the countries by the project manager, while the Farmer Participatory and Training Specialist also backstopped PIAs on training and Farmer Field Schools.

In general, activities are being implemented according to the schedule.

3. Assessment of resource utilization

The budget utilization during the reporting period accounted for US$293,311.57, being total expenditure between January and June 2010. The total budget for 2010 is US$722,213.02 (less 5% contingency), and the budget utilization to end of June 2010 was 41%. The CFC has so far disbursed US$427,607.89 during the reporting period. The lower budget utilization is due to the fact that a big expenditure for training of scientists in race typing in Portugal was not included at the time of preparing this report, but will be included in the coming period. The activity started during the period under review (June) and spread to the following reporting period (July), but payment was made in July 2010, hence the cost was not included in the reporting period.

The expenditure by component in relation to the budget is as follows; Component 1 − 62%, Component 2 – 39%, Component 3 – 59%, Component 4 – 32% and Component 5 – 34%. The overall budget is 41% as mentioned above. The counterpart contribution during the period amounted to US$51,474.11 out of a total budget of US$292,461.21.

The claim process has been more efficient compared to 2009. The partners have been submitting their claims bi-monthly. The only partner who is still experiencing challenges with the claim process is India. During the current quarter, the PEA will organize training for the partner to ensure that all partners are consistent in their claim submission.

Generally, the cash flows for project have been efficient and effective following timely disbursements by the CFC. We hope that the process will remain efficient to enable the project activities to progress as planned. However, two of our partners have suffered the loss of their project accountants following resignation. The project accountants for Rwanda and Kenya left their respective organizations during the reporting period. This is a serious setback given that these accountants had been trained in the CFC financial reporting requirements. To ensure that these two partners do not lose their financial reporting abilities, the PEA will arrange to visit these partners to take the new project accountants through the reporting requirements as well as the claim system. Financial support will also be provided via phone calls and emails.

The PEA has enhanced the level of communication with partners on financial matters. Issues raised by partners have been addressed amicably; claims have now been received bi-monthly and a lot of improvement has been evidenced from the consistency of claims. We hope that the spirit will continue into the July – December reporting period. It is also worth mentioning that with the support from the Common Fund for Commodities (CFC), partners have had a smooth implementation of planned activities due to adequate cash flows and supervisory follow-up by the project co-ordinator. The PEA has also enhanced its processing time and partners are now sending adequate claims with appropriate supporting documents, except India. This will be addressed within the current quarter.

4. Assessment of project co-ordination and management

The project was coordinated well during the period under review. All PIAs were coordinated and the project activities were implemented well. Backstopping activities greatly helped in improving the implementation. Two visits were made to each of the PIAs to backstop the partners in the implementation of project activities and the management of project finances. An extra trip was made to Uganda to support the PIA in replanting varietal trials after a prolonged drought in 2008 and 2009 which led to replanting of the trials this year.

5. Assessment of technical progress

Implementation of a number of activities were delayed in Uganda due to departure of a member of staff and long distances to the project sites which requires slightly more financial resources. The team with the support of the PEA is trying to implement the remaining activities during the coming period. In general technical activities are progressing well.

6. Social and environmental effects of project implementation

It is hoped that coffee leaf rust and coffee berry disease resistant varieties will be identified through the project, which will contribute a great deal in reducing pollution from some fungicides which are being used to control the two diseases. Additionally, alternative fungicides, including botanicals will help in reducing effects on the environment through the use of environmentally friendly alternatives. Outputs from the project will benefit smallholder farmers by mitigating crop losses caused by the two diseases.

7. Forward planning of project implementation

Implementation of activities is continuing as per the 2009 work plans and budgets. Five scientists will travel to the Coffee Leaf Rust Research Institute (CIFC) in Portugal for training in and characterization of coffee leaf rust disease races in October.

The work planning workshop will be held on 19th and 20th November in Nairobi, Kenya, and will be hosted by the Coffee Research Foundation, the PIA in Kenya.

8. Lessons learned

Uganda suffered from prolonged drought and resulted in replanting of the varietal trials. It is a lesson that it is important to include strong funding for irrigation in drought prone countries.

9. Conclusions and recommendations:

The project is progressing well. Anecdotal results showed that one Indian selection (Selection 5A) has some tolerance to BBC in Kenya.

ACCESS TO FINANCE FOR THE DEVELOPMENT OF DIVERSIFICATION CROPS IN COFFEE PRODUCING AREAS
CFC/ICO/30

1. Period covered by the report: 1 January to 30 June 2010

2. Status of Project implementation

Component 3: Financing and support for the development of diversification crops

Main activities	Targets set	Current status	Remarks
Activities 1, 2, 3 Administer revolving fund loans on the basis of CFC financing and the credit mechanism prepared.	Increase producer incomes and reduce their dependence on the coffee economy	In Côte d'Ivoire, loans were distributed to 327 producers for an amount totalling US$443.724: 267 producers for food crops and 60 for livestock activities. In Burundi, loans were distributed to 248 producers for crop season B for an amount totalling US$85,520. For crop years A and B, the amount of loans distributed totalled US$249,553 for 1,086 producers. The consultants have completed preparation of the manual of procedures and computer system for the management of revolving credit for Côte d'Ivoire and Burundi. The software is now available in both countries and additional user training will be required to improve usage.	Diversification activities ongoing in project sites

Component 4: Financing and support for developing domestic and external markets for diversification products

Main activities	Targets set	Current status	Remarks
Activities 1, 2 Identify equipment and warehousing requirements of producers	Establish a framework for organizing and strengthening marketing of products, including provision for collection, transport, warehousing and processing	Equipment and warehousing requirements of producers have been assessed in both countries. The CFC has transferred an amount of US$388,932 to Côte d'Ivoire and US$237,000 to Burundi for purchasing the required equipment.	Delivery of the equipment ordered is in progress

Component 7: Project coordination, supervision and monitoring

Main activities	Targets set	Current status	Remarks
Activities 7.4 to 7.6 Prepare an annual work programme and budget Monitor project execution. Ensure annual supervision of the ICO.	Assess project activities and make recommendations.	Annual work programmes and budgets were prepared and submitted to the CFC. A mid-term project evaluation by the CFC and the ICO was carried out in Côte d'Ivoire from 26 to 31 May 2010.	The report of the mission is available.

Activities 7.7 and 7.8 Monitor implementation and financial disbursements by the CFC. Prepare and submit to the CFC and ICO regular progress reports on the project	Provide adequate resources for the project and assess their utilization. Prepare technical and financial reports based on CFC procedures. Monitor project activities and financial reports	Requests to CFC for funds to cover replenishment, equipment and for revolving credit facilities were granted. Technical and financial reports were prepared and forwarded to the CFC. Auditors were selected in both countries. Reports are being prepared.	

During this period activities were focussed on the distribution of loans which functioned well in both countries; preparation of project datasheet and loan requests by each producer for submission to the bank, opening of accounts for project beneficiaries, signing of participation agreements with beneficiaries, and ordering and distribution of project inputs in collaboration with the extension services. The financial intermediation banks withdrew funds from producer accounts to pay input suppliers. Project beneficiaries are responsible for disbursement of labour costs for the crop season concerned.

3. Resource utilization

From January to June 2010, loans granted to producers totalled US$249,553 for Burundi and US$443,724 for Côte d’Ivoire. Expenditure on communal equipment totalled US$150,170 for Burundi and US$233,989 for Côte d’Ivoire. Operational expenditure for the CFC grant totalled US$52,968 in Burundi and US$39,898 in Côte d’Ivoire. Counterpart expenditure, which covers personnel salaries, travel costs and other operational costs, totalled US$130,200 in Côte d’Ivoire and US$35,000 in Burundi.

4. Project coordination and management

Following the restructuring of the coffee chain in Burundi, the new structure responsible for the Project is the Coffee Chain Regulation Authority. This body has taken over the role of the former OCIBU as collaborating institution for project execution.

Besides these two countries, annual work plans and financial reports on project activities for the periods from January 2008 to December 2009 are being prepared.

5. Forward planning

The programme for the next semesters will focus on continuation of field training of project beneficiaries, implementation of the computer system for credit management, processing of diversification products, marketing, and loan repayments.

6. Conclusion

In both countries loans have been distributed to producers in accordance with the established procedures. The project has benefited from State support.

LIST OF ACRONYMS USED IN THIS DOCUMENT

4C	Common Code for the Coffee Community
ADINUT	Asociación de Desarrollo Integral Union Todosantera (Guatemala)
Anacafé	National Coffee Association (Guatemala)
BACI	Atlantic Bank of Côte d'Ivoire
BANADESA	National Bank of Agricultural Development (Honduras)
BBC	Bacterial Blight of Coffee
BFP	*Banco de Fomento de la Producción 'Produzcamos* (Nicaragua)
BPC	*Banco de Poupança e Crédito* (Angola)
CCFCC	*Comité de Coordination pour les Filières Café et Cacao* (Togo)
CFC	Common Fund for Commodities
CFOs	Country field officers
CFPs	Country focal points
CIGs	Coffee Interest Groups
CLUSA	Cooperative League of the USA
COFENAC	National Coffee Council (Ecuador)
CONACAFE	National Coffee Council (Honduras)
CPFs	Coffee processing facilities
CQI	Coffee Quality Institute (USA)
CTA	Chief Technical Advisor
DIPROCAFE	Diversificación Productiva de Cafetales de Baja Altitud
FIDREVER	*Fideicomiso para el desarrollo rural del Estado de Veracruz*
FIs	Financial Intermediaries
GAP	Good Agricultural Practices
IACO	InterAfrican Coffee Organisation
IAO	Istituto per l'Oltremare
IC	Integrating Company
IDR	Institute of Rural Development
IHCAFE	Honduras Coffee Institute
IICA	Inter-American Institute for Cooperation on Agriculture
IILA	Istituto Italo – Latino Americano
INCA	Instituto Nacional do Café de Angola
JLGs	Co-operative society (Kenya)
MIFIC	Ministry of Development and Trade (Nicaragua)
MOU	Memorandum of Understanding
MTE	Mid-term evaluation
NEA	National Execution Agency (Nicaragua)
PEA	Project Executing Agency
PI	Participating Institution
PIA	Project Implementing Agency
PROMECAFE	Regional Program for the Development and Modernization of the Coffee Industry in Central America, Panama, the Dominican Republic and Jamaica
SCAA	Specialty Coffee Association of America
USDA	United States Department of Agriculture